

EUROPEAN NEWS

Radical economist urges west to scrutinise Soviet anti-crisis programmes closely

Yavlinsky warns against aid for Moscow

By John Lloyd in Moscow

WESTERN countries should not try to give assistance to the Soviet Union while its reform process is set according to the government's anti-crisis plan, according to Mr Grigory Yavlinsky, the radical economist and former Russian deputy prime minister.

He calls instead for the most severe examination of the current programme and of future plans - the only outcome, he says, which would make the Group of Seven agreement to engage with Soviet reform a success.

Mr Yavlinsky drafted an economic reform programme called "Window of Opportunity" with the aid of US scholars at Harvard University, and held long talks with Mr Mikhail Gorbachev, the Soviet president, before the

London G7 summit to press him to make the plan his own.

"He told me: 'Look, I'm taking your ideas to London, they are part of the proposals.' But I told him: 'It's not enough', he said yesterday in an interview.

Mr Yavlinsky, though announced as a member of the official Soviet party, decided not to go because his plan was, in his view, diluted with other proposals with which he did not agree.

"People would ask me in London 'What are your ideas on privatisation, or on price liberalisation?' I could not go there and say I did not agree with the president if I was part of his team."

Mr Yavlinsky's biggest fear now is

that the west has given the wrong signals to both the Soviet government and the Soviet people.

"They all came back from London and talked about our great victory. But what victory? When the G7 talk of giving assistance in spheres like defence conversion, energy, food distribution and transport - how can they, where in all these areas an old system is rotting?"

I think that these people, like [prime minister Valentin] Pavlov and [first deputy premier Vladimir] Shcherbakov are still thinking with the mentality of the 1970s.

"They talk about the importance of foreign investments, not about assistance. But if there's no credit and funds from the west then

nothing will change.

"Foreign investments are not good for our people in themselves. They will work in the companies, but they will not have any opportunity to start in business on their own account. In our plan there was a provision for a privatisation fund which would have allowed people to become owners."

"The government has said that my ideas are too radical, that people will not bear them. But why should it just be stupid ideas that are radical?"

"Taking away people's money [in the form of 50 and 100 rouble notes, as the government did in January] or putting up prices by three times - these are really radical ideas. But they are stupid, they have no effect whatsoever."

"Why should it just be the radically stupid ideas which we implement, not the radically good ones?"

Mr Yavlinsky is, however, not about to go into a sorry opposition. Instead, he says: "Gorbachev told me before he went to London that he will be busy this week with the Communist party central committee plenum today but that after that, we should work together again."

"People will say that we failed twice - with the 500-Day plan [of which he was co-author with Professor Stanislav Shatalin and others] and now."

But I am prepared for a long hard struggle. I am thinking now about what will happen if all these efforts fail."

Killings mark most violent day in Yugoslavia

By Laura Silber in Belgrade

TWENTY people were reported killed yesterday in clashes between Serbs and Croats in the worst day of violence in Yugoslavia this year as the country's leaders gathered for peace talks.

The Croatian news agency reported that 14 Croatian guardsmen, five civilians and one Croatian policeman were killed in fighting in Mirkovci, a Croatian town about 120km north-west of Belgrade, the Serbian and federal capital.

Belgrade television said 16 people were killed altogether. The violence forced the closure of the main railway between Zagreb and Belgrade, causing long delays for train passengers.

In conflicting reports, Tanjug, the Yugoslav news agency, said Croatian police and soldiers from the Croatian national guard launched three attacks on Mirkovci from surrounding villages. The first began at 5.30am, and was followed by others at 7.30 and 12.30. A Serbian civilian "had his throat slit while defending his village", said Tanjug. The number of injured yesterday could not be confirmed.

Tanjug reported that federal army units were prevented from entering Mirkovci yesterday morning, and that Serbs in the villages had appealed to Serbia for assistance.

Croatian police, however, said that Serbian nationalists attacked the neighbouring towns of Vinkovci and Stari

Jankovci with mortars and machine guns.

About 30 people have been killed since Saturday in clashes between Serbs and Croatian police and national guardsmen. Croatian forces are trying to reassert the republic's authority over Serb-populated territories in eastern Croatia, Serbs, who make up 12 per cent of Croatia's population of 4.7m, are resisting Croatia's moves towards secession.

Fighting between Croatian police and Serbs was also reported yesterday in the village of Plaski, about 100km southwest of Zagreb, the Croatian capital.

The state presidency and the presidents of the six republics were due to start peace talks yesterday in Ohrid, a town in the southern republic of Macedonia.

Mr Vasil Tupurkovski, Macedonia's representative to the eight-member federal presidency, yesterday said he expected them to sign the "Ohrid document" calling for "a non-aggression pact between the republics and concrete negotiations on a peaceful resolution to the crisis."

Mr Tupurkovski said Yugoslavia's leaders would also consider the situation in Croatia in an attempt to stop violence growing.

A plan drawn up by the federal government to keep the economy functioning was also on the agenda for yesterday's meeting.

EC ministers have taste for tradition

By Andrew Hill in Brussels

FRENCH paté de foie gras, Greek ouzo, German beer and other traditional European specialties may be safeguarded from artificial additives under proposals agreed by European Community ministers yesterday during lengthy debate on a sweeter directive.

However, the meeting left open how such safeguards will be put into practice.

To placate Germans - the EC's highest beer-drinkers - ministers agreed a statement which would allow member states to maintain existing legal prohibitions on artificial sweeteners for "traditional beer or for traditional manufacturing processes for beer."

Mr Piet Dankert, Dutch European affairs minister and president of the internal market council, said: "The idea is that the same principles could be adopted in future for other products."

However, it is unclear whether the declaration can be transformed into a legal text, and how member states will define "traditional processes". As it stands, the declaration would allow brewers from all EC countries to set up in Germany, and use artificial additives in their beer, but not to describe the product as "traditional German beer".

Separately, ministers reached informal political agreement on four pharmaceuticals directives covering labelling, legal status, wholesaling and advertising. On the last measure, they agreed that drug

TETRA PAK, the Swiss packaging group, has received formal EC approval for its SKR16.25bn (£1.5bn) bid for Alfa-Laval, the Swedish dairy and food processing equipment company.

Suspension of the bid was lifted at the end of May because Brussels did not want to hold up the merger. Formal approval had to wait until the case had cleared various official procedural hurdles.

The Commission had been worried about the possible impact on rival manufacturers of a merger between a packaging group and a processing group, which would be able to supply dairies, for example, with an entire cow-to-carbon production line. But the Commission said yesterday that its inquiry had shown that "the ability to offer both types of machines under a single aegis would not materially benefit the merged undertaking compared to its non-integrated competitors."

companies could continue to sponsor scientific conferences and use "before and after" advertisements showing the effects of a product, provided they were not misleading or frightening.

Member states will have discretion over the amount of technical data which has to be printed when advertising drugs in medical journals.



Defence délégué General Colin Powell (right), US Armed Forces Chief of Staff, and his Soviet counterpart, Gen Mikhail Moiseyev, take the salute from a guard of honour after Gen Powell's arrival in Moscow yesterday for a six-day visit

Comecon's divorce bogged down in property squabble

By Leyla Boulton in Moscow

AS IN MOST divorces, Comecon, the Soviet-led trading organisation, has become bogged down in a row over property, as the Soviet Union and its former Communist satellites try to put an end to their 42-year partnership.

Next Monday, representatives of the nine member states - the Soviet Union, Poland, Hungary, Czechoslovakia, Romania, Bulgaria, Vietnam, Mongolia, and Cuba - will try again to agree on a value for Comecon assets, featuring a Moscow skyscraper and a hotel.

The Soviet government has told its partners it is going to buy them out of the 30-floor skyscraper, which houses Comecon headquarters on a prime site overlooking the Moscow river. The member states, already unhappy about giving up the building, were horrified

to find that Moscow was offering a mere Rb531m (\$16.8m at the commercial rate).

This amount, to be divided among the nine, is the book value based on the contributions of Comecon states in the 1960s for the construction of what, it must be admitted, is an ugly edifice. However, it is clear that this cannot reflect the building's present value. According to one estimate, based on supply and demand to Moscow, the building could fetch up to Rb500m.

The eastern Europeans had initially sought to keep the skyscraper as offices for their own business people to pursue trade with the Soviet Union. But Moscow, invoking a 1989 clause which blocks any disposal of Comecon property without its agreement, is giving its partners no choice in the matter.

The Soviet state is determined to reclaim the building, although the price is still negotiable. Meanwhile, the other delegations are desperately trying to work out a value for the building - no mean task, given the skewed nature of Soviet accounting and the absence of a real property market in the Soviet Union.

As for the Mir Hotel next door, that is the subject of a separate dispute, where the Soviet side is said to have simply cancelled its partners' claims on the establishment. The Soviet Peace Committee, meanwhile, has had no qualms about asking Comecon to give away its holiday complex outside Moscow - to a charity for the victims of Chernobyl.

The issue must be resolved by September 25, the date set for the final liquidation of Comecon.

NEWS IN BRIEF

Germans at odds, opinion poll shows

EAST and west Germans like each other less than they did when their two countries united last October, according to an opinion poll published yesterday, Reuter reports from Bonn.

The poll in Der Spiegel magazine, the first to compare the mood throughout Germany in mid-1991 with that when East and West Germany merged, showed a nation still deeply divided.

East Germans and westerners agreed on little more than that unification was proving more difficult than expected.

West Germans, asked how much they liked easterners on a scale of -5 to +5, gave them just 1.1, down from a score of 2.1 last October. East Germans' liking for their wealthy competitors fell to 1.7 from 2.7.

Contradicting the optimism of politicians who say Germany is growing together, large majorities in both parts of the country agreed with the statement: "Only after unification has it become clear how different east and west Germans are."

German communist leader Gregor Gysi said yesterday his party had begun a campaign of civil disobedience to protest against the freezing of its assets by the government's privatisation agency, Reuter reports from Berlin.

Mr Gysi said he had locked all documents on the assets of his Party of Democratic Socialism (PDS), sought by officials investigating the wealth of former East German parties. In his office and would defy attempts to seize them.

Turkish party outlawed

Turkey's constitutional court ruled yesterday that the country's communist party was illegal and ordered it to close. Reuter reports from Ankara.

It said its manifesto included unconstitutional principles aimed at establishing the supremacy of one social class over others, the semi-official Anatolian news agency reported.

Turkey's chief prosecutor, Mr Tahir Yavuz, asked the court in June 1990 to order the closure of the United Communist party (TBKP) 10 days after its formal launch.

Dubcek quits reform movement

Reformist politician Mr Alexander Dubcek has quit the Public Against Violence (VPN) movement he co-founded 20 months ago, and which helped overthrow communist rule in Czechoslovakia, Reuter reports from Prague.

"I have quit VPN because it abandoned centrist policy," Mr Dubcek told the state news agency CTK on Sunday.

Political analysts said VPN, which is part of the governing coalition, had moved rightwards while Mr Dubcek, a parliamentary chairman, had joined criticism of the government's tough economic reform programme.

Romanian jailed for genocide

The former head of the late President Nicolae Ceausescu's Securitate secret police was found guilty yesterday of abetting genocide. He was sentenced by the military's supreme court to nine years in prison, AP reports from Bucharest.

In its 3:30 decision, the court changed the charge against General Iulian Vlad without explanation from "complicity in genocide", which carries a maximum life sentence, to the lesser "abetting genocide", with a 10-year maximum.

The court also stripped Gen Vlad of his rank. His lawyer said he would appeal.

AMERICAN NEWS

US Congress approval of IMF funds uncertain

By Peter Riddell, US Editor, in Washington

EARLY APPROVAL by the US Congress of the 50 per cent increase in the International Monetary Fund's resources, already agreed by member governments, looks increasingly uncertain because of objections by key Democrats on the Senate and House appropriations committees.

The House version of this year's appropriations bill on foreign operations contains no allocation for an IMF quota increase and Senator Patrick Leahy, chairman of the Senate appropriations sub-committee for foreign operations, has expressed doubts about the increase.

The US Treasury has pressed repeatedly, in public testimony and private lobbying, for the \$20bn increase, of which the US share would be \$20bn. Officials have argued that expanded resources are necessary if the IMF is to grant loans needed to sustain economic reform in eastern and central Europe and in Latin America.

They maintain that the quota increase is therefore in the US national interest and that the IMF has met past US requests on clearing up arrears in payments from borrowers.

Congressional sensitivities over this issue explain why the US has supported only special associate membership for the Soviet Union to the IMF and World Bank, and why the question of full membership - hence access to financial

resources - is still some years away. There would be widespread congressional opposition to full membership without evidence that the Soviet Union had moved towards a market economy.

Criticism of the IMF quota increase ranges from liberal Democrats concerned that it is not doing enough to help the environment and the poor, to conservative Republicans alleging that its loans prop up socialist and communist regimes.

Senator Leahy argues that the IMF has not responded sufficiently to a 1989 law urging more attention to environmental preservation in its programmes.

The senator has been quoted in the New York Times as saying: "The IMF kind of treats it [the Senate] with an Olympian disregard, that mere mortals at the US Senate couldn't possibly understand all the decisions they have to make. We mere mortals, however, can't understand why they need all that money."

The administration is likely to step up pressure on the key legislators to agree to the quota increase for the next fiscal year.

In the past, congressional approval of quota increases has been a cliffhanger, the last change being dependent on a deal with the then chairman of the House banking committee involving housing subsidies.

British Columbia poll decision expected soon

By Bernard Simon in Toronto

BRITISH COLUMBIA's new premier, Mrs Rita Johnson, is expected to decide within the next few days whether to call an early election in Canada's westernmost province.

She emerged as successor to the colourful Mr Bill Van der Zalm at a Social Credit party convention in Vancouver at the weekend. The latter was forced to step down three months ago after disclosures of conflict of interest in his dealings with a wealthy Taiwanese investor.

Mrs Johnson has promised to try to unite a party which has been sharply divided in recent years over its leadership and policies. Social Credit's policies are among the most right-wing in mainstream Canadian politics.

The next provincial election must be held before the end of this year. However, the party is running well behind the left-leaning New Democratic Party in public opinion polls.

The NDP, which is favoured to win, could be hurt by the poor performance of its counterpart in Ontario, which has trebled the provincial deficit and imposed a more ideological form of government than Canadians are used to.

Prosecutor urges life for Argentine mutineers

By John Barham in Buenos Aires

AN ARGENTINE prosecutor yesterday demanded life sentences for the leaders of the short-lived army mutiny of last December.

In his closing statement at the trial of 15 rebel officers, Mr Luis Moreno Ocampo, chief federal prosecutor, said the uprising was an attempted coup d'état through which the rebels had planned to reimpose a military dictatorship.

On December 3, right-wing army extremists seized key military installations in central Buenos Aires and mobilised armoured units in the interior of the country. Their principal

demand was that Colonel Mohamed Ali Seineldin, the rebels' leader, be made army commander. However, the overwhelmingly loyal armed forces crushed the uprising in 14 hours, at a cost of 13 lives.

A summary court martial in January sentenced Col Seineldin to life imprisonment. However, Argentine law requires the civilian federal appeals court to review the military sentence. The civilian trial has proceeded smoothly, despite occasional bomb threats and threats against the judges. A decision on the sentence is expected in August.

Sandinista party delegates digest a pre-cooked meal

By Tim Coone in Managua

HARD-LINE leaders within the Sandinista Liberation Front (FSLN), Nicaragua's principal opposition party, look set to retain control for the next four years, following a three-day congress at the weekend, which was the first since the FSLN was founded in secrecy 30 years ago.

There were expectations that the FSLN would re-evaluate its autocratic style of leadership after its defeat in general elections in February 1990 by President Violeta Chamorro's centre-right UNO alliance.

However, the 580 delegates had the choice of voting either for or against a single slate of candidates for the party's 10-man central committee (Dirección Nacional).

The list included eight candidates from the old guard leadership that has led the party since 1978. The number of abstentions and votes "against" the slate have not been released.

One moderate, the country's former vice-president Mr Sergio Ramirez, has been included in the "new" DN but his room for manoeuvre will be limited.

The congress did approve giving control over the DN to an elected 120-person assembly, but the assembly may have difficulties overcoming the largely "rubber-stamp" function that it has held in the past.

Mr Daniel Ortega, the party's leader and now the secretary-general of the party, promised that at the next congress, to be held in 1995, there would be more open elections for the central committee.

One FSLN dissenter said: "I hope it will be better than this one, which has been like one of those pre-prepared meals you put in a microwave oven to heat up."

Cyprus and Iraq on Hurd agenda in Ankara

By Mark Nicholson in Istanbul

MR Douglas Hurd, UK foreign secretary, yesterday flew into Turkey as US President George Bush left for home.

Cyprus will be on the agenda of his talks with Mr Turgut Ozal, the Turkish president, and Mr Mesut Yilmaz, his prime minister, although UK officials are concerned that the "routine" visit should not seem part of a concerted drive to put pressure on Ankara.

The US president made strong appeals in both Athens and Ankara, during his visits over the past few days, for Greece and Turkey to meet the terms of Turkey's proposed formula of talks embracing Turkey, Greece and representatives of the Greek and Turkish communities on the island.

The British officials were keen to deny any significance in Mr Hurd's timing, stressing that his visit was a rescheduling of his trip in January, which he broke off early to attend an emergency Council of Ministers meeting in Brussels on the Balkan crisis.

Even so, Turkish officials said yesterday they expected Mr Hurd to add his support to the quadripartite formula over Cyprus, Greece, which has suggested instead talks which

also include the permanent members of the UN Security Council, yesterday repeated its initial negative response to the Turkish proposal.

Mr Hurd will also discuss the rapid deployment force stationed in eastern Turkey to deter Iraqi aggression against the Kurds, to which Britain has committed a company of Royal Marines. Turkish foreign ministry officials said some

details of the force's constitution and command were still to be worked out in discussions today.

British diplomats said Mr Hurd's visit, which will last a little over 24 hours, is also seen as an opportunity for him to make acquaintance with Mr Safa Giray, Turkey's new foreign minister, who succeeded Mr Yilmaz when the latter was appointed premier in June.

His lawyer said he would appeal.

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1

INTERNATIONAL NEWS

Kurds and Iraq army in tense test of strength

By Lami Andoni in Sulaimaniya

IRAQ'S northern city of Sulaimaniya, which witnessed a fierce upsurge in fighting last week, has become a test of strength between the regular army of President Saddam Hussein and Kurdish militias who drove his forces back to the outskirts.

The Iraqi army continues to surround the city and is on full alert as negotiations continue between Kurdish opposition leaders and the government in Baghdad.

Although the situation remains tense and travel is prohibited at night between Kirkuk and Sulaimaniya, the government and Kurdish militias appeared concerned not to allow the clashes to develop into full confrontation or to disrupt two-month-old negotiations on Kurdish autonomy.

The government and the Kurdish Democratic party are said to fear that a deterioration in the situation could be used by US-led allied forces as justification for renewed military intervention in Iraq.

The Kurdish militias, mainly belonging to the Kurdish Democratic party of Mr Massoud Barzani, are hoping their strong presence on the ground will provide for a more powerful hand in negotiations with the Iraqi government.

The militias in Sulaimaniya have not tried to take over government institutions even though they practically control

PRINCE Sadrudin Aga Khan yesterday briefed the UN Security Council sanctions committee on Iraq's need for food and medicine and again said Iraq should be allowed to sell some oil to pay for necessities. AP reports from New York.

Diplomats said Prince Sadrudin, the top UN official for humanitarian aid in the Gulf, reviewed the findings of a 59-page report released last week in Geneva.

official buildings and troops of the regular army could not enter reporters inside the city. The governor of the city, appointed by Baghdad, received reporters in his office, which was guarded by the opposition's militias.

The government has accused Iranian-backed insurgents of provoking the fighting, which spread to other areas, including Halabja. Insurgents accused the army of shelling the city with phosphorus bombs but there were no signs of such shelling.

The militias claimed they had captured about 8,000 Iraqi soldiers and were holding them in mountain villages, including Halabja. Insurgents accused the army of shelling the city with phosphorus bombs but there were no signs of such shelling.

Buthelezi's scorn fails to dilute scandal

Patti Waldmeir reports on difficult times for South Africa's prime political spoiler

CHIEF Mangosuthu Buthelezi, leader of the mainly Zulu Inkatha Freedom Party, is an intransigent man at the best of times. But the past few days of political scandal in South Africa have sent him into a blind rage as his reputation has sunk under the weight of proof that his party has received substantial funds from Pretoria.

"The government's attempt to bolster Inkatha's waning support by clandestine gifts... has had the perverse result of pinning to that organisation the label it most dreads: puppet of the apartheid government," the Johannesburg Sunday Times commented in an editorial.

This in turn has raised questions about the true level of Inkatha's popular support, as well as its suitability as a potential future electoral ally of the National Party government. Though government officials insist they are pursuing no such alliance at the moment, they have conceded in the past that Inkatha would play a crucial role in a future moderate alliance which they believe could defeat the African National Congress (ANC).

Given the behaviour of Chief Buthelezi in recent days - he continues to deny any knowledge of government funding, despite the existence of documentary proof (an internal police memo whose authenticity has not been challenged) that he knew of at least one payment and thanked the donor profusely for it - questions must also arise about his fitness to lead Inkatha.

His reaction when first confronted with evidence that security police had channelled R250,000 to Inkatha to fund rallies was to dismiss it as "bullshit". When asked by journalists whether further sums had been received, he replied indignantly: "your guess is as good as mine".

The damage to Inkatha's image - and to the credibility of Chief Buthelezi, long



Shared platform: Buthelezi and the law and order minister, Mr Adriaan Vlok, at an Inkatha rally

favoured by western governments because of his support for free market economics and opposition to sanctions - is severe. The published police memo which provoked the scandal demonstrates a close link between Chief Buthelezi and Pretoria's security police.

It would require a large leap of faith - one which few are now prepared to make - to believe

that this collusion ended with the purchase of banners for Inkatha rallies.

The ANC has long said that Inkatha and the police are jointly complicit in the violence which has left some 10,000 people dead in the past five years. And there has recently been evidence that senior Inkatha figures were personally involved in vio-

lence: Mr Samuel Jamile, deputy minister in the KwaZulu government and thus a subordinate of Chief Buthelezi, was recently sentenced to life imprisonment for murder.

Perversely, the recent violence in townships near Johannesburg appears actually to have bolstered Inkatha support: the uneducated Zulus of township hostels have looked to Inkatha to protect them. But overall, according to a recent survey conducted by the University of the Witwatersrand's Centre for Policy Studies, only 5 per cent of urban blacks support Inkatha.

That figure would almost certainly be higher in Inkatha's home base of Natal province. But the figures must cast doubt on Inkatha's claim to negotiate as an equal partner with the ANC and the government. Chief Buthelezi's support is, and has always been, regional.

The ANC believes the Johannesburg violence of the past year reflects an attempt to command a national base for Inkatha; so far, if the latest poll figures are to be believed, it has had only limited success.

Polling totals may not accurately reveal Chief Buthelezi's true power over the negotiating process: conventional wisdom has had it that the Inkatha leader could bring talks to a halt at any time. But his ability to act as a spoiler must depend ultimately on the degree of support he enjoys from the security forces; and the current scandal could well result in that link being significantly weakened, if not broken altogether.

Chinese growth tops 6% despite flood chaos

CHINA'S economy grew at a healthy 6.1 per cent in the first half of 1991 despite devastating floods and industries saddled with debt, a senior official gave warning yesterday that serious problems still threatened the economy. Renter reports from Beijing.

In the first half of last year, GNP registered only 2.1 per cent growth over the first half of 1989. The good news came despite floods in the eastern part of the country which began in May and have turned fields into lakes, killing more than 1,700 people and causing more than \$7.5bn (\$4.6bn) in economic damage.

Serious problems that have plagued the economy for months still remain. Zhang Zhongli, the spokesman for the state statistical bureau, pointed to inflation and deflation, inefficient state-run industries that churn out unwanted, low-quality goods like refrigerators, televisions and motorcycles. Stockpiles of unwanted, unbought products grew by about 44bn in the first five months of the year.

Urban inflation is also rising again, a worry to Beijing's leaders who remember the pro-democracy unrest of two years ago which was set off in part by runaway prices in the cities.

The cost of living in June in cities was 10.9 per cent higher than June 1990 as higher prices for services, rice, flour and cooking oil took their toll on residents, Zhang said, even though in the country as a whole retail sales inflation grew only 1.8 per cent.

Beijing and Hanoi to resume talks

China and Vietnam are arranging a special meeting to discuss the Cambodian conflict and other issues that have strained their relations. Foreign Ministry spokesman said yesterday. Renter reports from Hanoi.

"In order to promote further the improvements of relations between the two countries and to carry out exchanges of views on problems of mutual concern, including the Cambodian issue, Vietnam and China are making arrangements for a meeting in the coming period," a ministry spokesman said. Beijing has reportedly asked Vietnam to send a member of its politburo and a deputy foreign minister to China.

Crisis deepening in Madagascar

Madagascar's opposition headed for showdown with security forces yesterday as its leaders tried to reach ministries sealed off by armed guards. Renter reports from Antananarivo.

Army and police officers armed with rifles, batons and shields, closed government buildings and stopped traffic around government offices after the opposition told a mass rally it would attempt to install two of its own "ministers" by force. Protesters filled main roads and shopkeepers closed their doors as tension in the capital mounted.

Manila setback on Marcos 'loot'

Zurich's district attorney said yesterday he has suspended judicial assistance to the Philippines concerning funds allegedly looted by former President Ferdinand Marcos and his family. AP reports from Zurich.

Mr Peter Cosandey said Zurich would provide no more legal aid until Manila gave a proper explanation about the activities of a government agent accused of trying to tap into Swiss bank computers.

Burma 'a hell for human rights'

An influential US senator has called Burma "a hell for human rights" and said President George Bush's administration intended to impose economic sanctions on the Asian nation. Renter writes from Washington.

Sanctions "should come as a powerful warning that foreign investors who seek quick profits in the US market should think again," said Senator Daniel Patrick Moynihan, a member of the Senate foreign relations committee.

W Australia oil disaster averted

An ecological disaster along Australia's western coast is likely to be avoided after the country's worst oil slick began drifting out to sea, authorities said yesterday. Renter reports from Sydney. The Greek oil tanker, Kiki, which poured 22,000 tonnes into the ocean and created a 25km slick after it broke up, was being towed to smoother waters where it could be refloated. Some 60,000 tonnes of oil could be transferred.

Delhi row on industry policy

By K.K. Sharma in New Delhi

INDIA'S new industrial policy aiming at sweeping deregulation to facilitate foreign and internal investment has been delayed by sharp cabinet differences.

The policy, which was to have been announced last week, is expected to be presented to parliament tomorrow, just before the government's annual budget, or the next day.

The principal cabinet differences are believed to be over the upper limit of assets of large Indian industrial houses for purposes of deregulation, and the right to close down "sick" industries.

Critics believe the closure of thousands of "sick" units, including some in the public sector, would lead to massive unemployment and cause labour unrest at a time when the economy is already under severe strain.

At present, unprofitable units are being assisted by public financial institutions. Proponents of deregulation fear the right to "exit" should be part of the industrial policy.

The cabinet has also discussed in detail whether to raise the upper limit of assets of companies now governed by the Monopolies and Restrictive Trade Practices (MRTP) Act.

At present this is a low Rs1bn (\$23.8m). The new policy has proposed it be raised to Rs10bn but there is considerable resistance.

So-called monopoly houses are banned from starting new industries without government permission which, at present, is not given unless the investment is in high-tech areas or aimed at increasing exports.

There is pressure to relax this curb. There is no real opposition to relaxing curbs on foreign investment.

Trading partners at odds with Asean over regional security

EAST ASIAN countries and their main trading partners took opposing stands yesterday over the future of US and Japanese military involvement in a post-Cold War security arrangement for the region, writes Lin Siang Hoon in Kuala Lumpur.

The issue has moved up the agenda during meetings in Kuala Lumpur of members of the Association of South-East Asian Nations (Asean) and its "dialogue" partners - Australia,

Canada, the EC, Japan, New Zealand, South Korea and the US.

Trade and regional politics have usually pre-occupied Asean ministerial meetings, which are followed by separate sessions with the dialogue partners.

Asean has been refusing to subscribe to any regional security alliance, maintaining that such an arrangement could compromise its neutrality in dealings with the US

and Soviet Union. But this situation has changed rapidly, particularly after a US decision to cut its Pacific military forces by at least 10 per cent by December 1992, and since the Gulf war, which the US sees as providing potential lessons for the Far East.

In March, US military and Defence Department officials advocated the security doctrine of "co-operative vigilance", which calls for a network of military-to-military relationships

with Pacific Asian countries. The officials see the US as the network's chief organiser.

Both Australia and Japan emerged yesterday as the chief backers of the idea. However, the US doctrine threatens to draw into the network Asean members: Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

At the weekend meeting of its foreign ministers, Asean adopted a

low-key, non-committal position on the issue of security.

Yesterday, however, Malaysia openly challenged the "phased transformation" of a defence arrangement. Mr Abdullah Ahmad Badawi, foreign minister, said: "The creation of a military bloc would invite establishment of a counter-bloc. Focusing only on the narrow military aspects of security would distort national perceptions on relations between nations."

Baker makes Israel offer it may be loath to refuse

The US secretary of state has made it difficult for Prime Minister Shamir to say no, writes Hugh Carnegie



Baker has answered crucial Israeli questions on Arab intentions

IN FOUR previous visits to Israel since the end of the Gulf war, Mr James Baker, the US secretary of state, got little change out of Mr Yitzhak Shamir, the prime minister, because he could not provide any real evidence to answer the key Israeli question: "Do the Arabs really want to make peace with us?"

On Sunday, things were different.

Mr Baker arrived for his fifth visit armed with the solid, public backing for his peace proposals of all the main Arab players including, most importantly, Syria. This has put Mr Shamir and his government on the spot for one critical reason.

Israel has always insisted that any peace negotiations with its Arab neighbours must be face-to-face bilateral negotiations. As happened in the negotiation of the 1979 peace accords with Egypt, the presence of the US is acceptable to Israel as a catalyst, but the essence must be a government-to-government forum.

Israel has always rejected any form of international peace conference as being bound to be weighted against it - especially one under the auspices of the UN which it regards as inherently anti-Israel. The Arabs would not negotiate seriously if they had recourse to a sympathetic con-

ference plenum, was the Israeli argument.

The US proposal includes a conference of Middle East nations, co-hosted by the US and the Soviet Union and attended by the UN in an observer capacity.

But all the substance of negotiations is to be loaded into bilateral discussions covering disputes between, for example, Israel and Syria, and separately, the Palestinian issue.

Thus, by winning the acceptance of the Arabs for his plan, Mr Baker was able to say to Mr Shamir that they had accepted Israel's fundamental demand for direct, bilateral negotiations.

Proof, by Israel's own previously declared terms, that they were serious about making peace.

Mr Shamir's government has also been adamant that it would not enter negotiations in which it was forced to accept in advance that a settlement would be based on Israel giving up occupied Arab territories - the "land for peace" formula.

Mr Baker says the terms of reference for the negotiations will be UN resolutions 242 and 338 which are regarded by almost every party except Israel to enshrine "land for peace". But he also says that it

is recognised that there are different interpretations of 242 and 338 - thus diverting Israeli objections on that issue. If, as many on the opposition side in Israel believe, Mr Shamir was never enthusiastic about negotiations on any terms, the Arab acceptance of the US proposals has at least made it much more difficult for him to say "no".

The severe diplomatic isolation that saying "no" would produce, and the consequent jeopardisation of the billions of dollars of financial assistance Israel now needs for Soviet immigration, adds considerably to the pressure.

But Mr Shamir has not yet said "yes". Mr Baker appears optimistic that Israel's earlier objections to any UN presence, and to keeping open the possibility that the full conference may reconvene at some point, can be bypassed.

Much more difficult is the issue of Palestinian representation. Again, the post-Gulf war isolation of the Palestine Liberation Organisation has meant that Israel's objections to any PLO presence can probably be overcome by drawing Palestinian representatives from within the West Bank and Gaza who

do not carry an overt PLO label. But Mr Shamir will not give way on his rejection of any Palestinian delegate from Jerusalem. To do so, he says, would be to compromise Israel's absolute claim to sovereignty over all of Jerusalem.

This is the issue which Mr Baker's efforts to broker peace talks more than a year ago foundered upon.

Again, the Palestinians are insisting that Jerusalem must be represented on their side, to assert their claim to at least a share of the Holy City.

Even if Mr Shamir does say "yes" to a conference, he is hardly placed politically to short-circuit the process if he feels it is not going his way. Already, extreme right-wing parties in his coalition are mulling over bringing down the government.

That would not necessarily be to Mr Shamir's disadvantage. He could soldier on, given opposition support for the peace process.

Or, more likely, he would seek an early general election. That would delay the whole peace process for at least three months - the statutory election period in Israel - and more than likely result in strengthening of his Likud party, judging by the opinion polls.

Once-invincible Nomura wrestles with crisis of confidence

By dismissing its chairman, the Japanese stockbroking group hopes to curtail criticism, writes Stefan Wagstyl

NOMURA Securities, the world's largest stockbroking company, is in higher trouble than it ever expected when a series of Japanese stock market scandals first broke this year.

A month ago, the company hoped to blunt criticism by offering the head of Mr Yoshihisa Tabuchi, company president, who resigned and took responsibility for the company's misdemeanours, in the time-honoured Japanese way.

But politicians, commentators and Finance Ministry officials demanded more. So, yesterday, Mr Setsuya Tabuchi (no relation), the chairman, announced his resignation. For good measure, Mr Yoshihisa Tabuchi was forced to quit the honorary job of vice-chairman, which had been hurriedly created for him after his resignation as president.

Nomura officials believe the two men had to go if the company were to recover public confidence, following revelations that it had compensated favoured clients for losses and had dealings with gangsters.

Any possibility that Mr Seta-

remained in office evaporated after publicity given to his links with a lawyer recently arrested for his role in a stock cornering scandal.

Nomura's top managers are exhausted by trying to contain damage done to the company's credibility, both by the ministry and the public. They are working seven days a week, often arguing about the best way to proceed.

Few things illustrate the scale of the group's task more than the fact that this proud company has had to go outside its own ranks to find a successor to Mr Setsuya Tabuchi. Mr Yuki Aida, 67, is an adviser to a fund management affiliate of Nomura. Although he is a former executive vice-president of the parent company, he left eight years ago. Mr Aida will be an honorary chairman, with no executive power, but will be entrusted with the vital task of rebuilding the company's image.

He will be particularly useful abroad as he spent much of his early career overseas and speaks English. A former Nomura employee said: "Mr Aida is not a typical hard-

A FORMER department head at Marubeni Corp, the Japanese trading house, was arrested yesterday on fraud charges after a complaint by another leading trading house, Nishio Iwai, which claimed it had been swindled out of ¥2.38bn (\$10.53m), writes Robert Thomson in Tokyo.

Mr Tadashi Tsunumabayashi, 56, is the second Marubeni manager to be arrested in a scandal involving a series of fictitious steel deals last year. These led to the failure of Nishio Iwai, a medium-sized steel trader, and are alleged to have involved illegal profits of ¥8.9bn.

Five people have been charged over the affair, alleged to have arisen from deals arranged by the two managers in Marubeni's steel project sales division and by executives at Kyowa Corporation, a steel frame builder

selling Nomura man. He will be a good ambassador."

But an ambassador needs to have something to say. The task of developing a post-crisis policy for the company falls largely to Mr Hideo Sakamaki, the new president, a former executive vice-president and chairman of Mr Yoshihisa Tabuchi's company since 1978. First as president for seven years, later as chairman.

He was responsible for building the company's corporate

businesses of stock sales. He knows as well as anyone what impact the affair has had on Nomura's stock-buying customers.

Mr Sakamaki is also aware of the vacuum created by the resignations. Mr Setauya Tabuchi has been a dominant force in the company since 1978. First as president for seven years, later as chairman.

He was responsible for building the company's corporate

finance division and for heading the early stage of Nomura's internationalisation. Even when he was replaced as president by Mr Yoshihisa Tabuchi in 1985, he retained great influence, despite the fact that the chairman's office is usually less important than the president's.

To the end, Mr Setauya Tabuchi was called "Big Tabuchi" and Mr Yoshihisa Tabuchi, about 10 years his junior, was "Little Tabuchi".

The latter, a tough-talking ex-salesman, fought hard to establish himself and, in 1987, pushed through sweeping management changes in which young men were promoted at the expense of executives beholden to Mr Setauya Tabuchi.

He concentrated latterly on climbing to the highest reaches of the Japanese business elite. To the chagrin of conservatives, who resented a nouveau-riche stock salesman in their midst, he advanced at the Keidanren, the national employers' federation. Last year, he became the first securities industry official to reach the vice-chairmanship, which he has now had to resign.

However, just as the two Tabuchis contributed greatly to Nomura's triumph, so they now bear a direct responsibility for its current debacle.

They bred a culture of relentless pursuit of sales which turned Nomura into the world's most profitable securities company. But this led staff to deal in ways which broke the industry's moral code of conduct, as has now been revealed. Investors, who were

THE BCCI SHUTDOWN

WINDING-UP

Judge adjourns Bank's petition

By Raymond Hughes, Law Courts Correspondent

A SENIOR High Court judge yesterday adjourned the petition for the winding-up of BCCI and its subsidiaries.

Mr Justice Bingham, sitting in the High Court, adjourned the petition for the winding-up of BCCI and its subsidiaries until 9 July 1991.

He said that efforts should be made to provide some form of interim compensation for the small investors who would be the immediate beneficiaries under a statutory compensation scheme if a winding-up order were made.

Also, the judge said, the position of BCCI's employees in England, who also would have statutory protection on a winding-up, should be looked at.

He had been told that immediate statutory compensation for small sterling investors would cost about \$28m, while employees would get \$2m-£3m.

He also asked the government of Abu Dhabi for assurances that BCCI's provisional liquidators would be given free access to all information in Abu Dhabi about the bank.

The Bank pressed for an immediate winding-up order. About 150 people, including many BCCI employees and depositors, lawyers and journalists, were present in the High Court for the hearing.

Creditors included the Western Isles Council, claiming \$24m; a group of 16 other local authorities, claiming about \$26m; Kuwait Airways, claiming \$9m; a group represented by City solicitors Richards Butler claiming about \$400m (\$243.9m); and another group

represented by Manchester solicitors Slater Links.

Mr Gabriel Moss QC, for the Bank of England, gave eight grounds on which the Bank said a winding-up order should be made. BCCI had been managed in a dishonest and fraudulent manner; its fraudulent activities and their consequences were concealed from the Bank and other regulatory authorities; its true financial position had been concealed; its accounting records had failed to meet the required standards; there was no proper or adequate control for managing the bank; its management had acted without integrity and with lack of skill; the Bank had no trust or confidence in BCCI's senior management; BCCI was insolvent.

Mr Moss said that, according to Price Waterhouse, the BCCI group treasury had set about \$640m between 1977 and 1985 and funds from various sources had been used to conceal those losses.

There appeared to be about \$600m deposit liabilities not recorded in the books of any BCCI company.

Mr Michael Crystal QC, for the provisional liquidators, said 48,400 UK depositors were owed \$652m.

Mr David Johnson QC read an affidavit, sworn on behalf of Sheikh Zayed bin Sultan al-Nahyan, which stated that the Abu Dhabi authorities had been "amazed and shocked" by the abrupt decision to freeze BCCI's assets without consulting them.

It went on to say that if BCCI was wound up, "the majority shareholders would have no continuing interest in rescuing" it.



BCCI: The worldwide position

BCCI (SA)

Bahrain: 8 July, the Monetary Agency of the State of Bahrain issued order requiring BCCI in Bahrain to freeze all assets and liabilities pending an investigation.

Jordan: 8 July, the Central Bank of Jordan (CBJ) instructed BCCI in Jordan that (1) the bank's branches should be closed until 9 July 1991; (2) deposit withdrawals were to be permitted up to JD100 (£900) plus 25 per cent of the balance of such deposits plus interest; (3) CBJ was to supervise operations of BCCI in Jordan; and (4) after re-opening, the bank could continue to trade on a limited basis with no new credit facilities permitted.

Yemen: 7 July, the Central Bank of Yemen issued a decree appointing a manager for the two BCCI branches and forming a committee to assess the assets of the branches.

Germany: 7 July, the German Credit Control Authority issued an order imposing a moratorium on the operations of BCCI's Frankfurt and Hamburg branches beginning 8 July.

Netherlands: 8 July, the District Court of Amsterdam appointed two administrators to investigate and oversee the affairs of the BCCI branch at the Herengracht.

California: 8 July, The California Superintendent of Banks took control of BCCI in California. On 11 July, the superintendent

ordered the liquidation of BCCI in California.

New York: 5 July, the New York Banking Department appointed the Acting Superintendent of Banks of the State of New York to take possession of the business and property of BCCI in New York for the purpose of liquidating the assets.

UAE: Branches of BCCI in the United Arab Emirates are believed to have been closed on 6 July, but there is no confirmation of any formal measures to secure assets.

Mauritius: 8 July, the Central Bank of Mauritius placed the assets of BCCI under protective control. It appointed a Touche Ross affiliate as administrator. Branch operations have been suspended and negotiations are under way to secure a going-concern sale.

Japan: 6 July, the BCCI branch in Japan was instructed to cease operations.

Cyprus: 8 July, the Central Bank of Cyprus (CBC) imposed a condition upon the licence of BCCI in Cyprus requiring the branch to abide by the closure instructions from the IMF.

BCCI (OVERSEAS)

Bahamas: Very small local operation. Still operating in course of wind-down.

Bangladesh: Central bank suspended operations effective 6 July. Special auditors appointed.

Barbados: Central bank instructed branch to stop trading immediately on 6 July.

Cameroon: Operations suspended by central bank on 9 July.

Cayman: Receiver appointed 5 July. Powers derive from directions given by Governor. Application for winding up in due course. (Receiver also appointed over International Credit and Investment Company [Overseas] Ltd and Credit and Finance Corporation Ltd.)

China: Peoples Bank suspended activities on 8 July and froze all assets in China.

France: Provisional liquidator appointed 9 July. Bankruptcy petition filed on 17 July.

Gabon: Operations suspended by central bank on 8 July.

India: Central bank suspended branch operations on 6 July. State Bank of India appointed provisional liquidator on 15 July.

Ivory Coast: Branch closed by 8 July and Provisional Administrator appointed.

Jamaica: Branch reported closed on 10 July. Previously depositors able to withdraw up to \$50,000. Central bank inspectors and agents of Touche Ross in control.

Kenya: Branch believed to have been closed 10 July. Director of Deposit Protection Fund appointed to assess position and report back.

Korea: Branch voluntarily suspended business on 6 July. Bank of Korea imposed directions freezing assets.

Macau: Administrative Committee appointed on 12 July and activities suspended.

Maldives: Branch instructed to stop trading on 8 July. Inspection team from Monetary Authority went in on 8 July.

Oman: Branches suspended on 6 July. Arthur Andersen & Co appointed as administrators. Considering permitting

withdrawals of up to QR1,000 (US\$2,600) per depositor.

Pakistan: Branches remain open, but cannot conduct exchange dealings or make new loans. Depositors are being allowed to withdraw funds up to 20 per cent of balances.

Panama: Branch closed by Commission on 5 July and assets secured. Administrator appointed.

Paraguay: Central bank took control of operations on 8 July. Local currency deposits reportedly being repaid.

Philippines: Branch closed on 6 July. Central bank directed branch to put assets into escrow with it to cover local liabilities.

Senegal: Branch closed on 6 July and Provisional Administrator appointed.

Seychelles: Branch reopened for business on 8 July. Withdrawals permitted of SF\$2000 (€220) in cash and cheques for any amount guaranteed in three days time by central bank.

Sri Lanka: Branch instructed to close while central bank considers further action.

St Kitts: Branch closed 8 July. Assets frozen.

St Lucia: Branch closed by central bank on 6 July; measures taken to protect depositors' interests.

Togo: Branch closed on 6 July and Provisional Administrator appointed.

Turkey: All activities frozen on 6 July. Treasury in charge of branch.

OTHER PARTS OF THE BCCI GROUP

Argentina: Very small operation already being wound down with

view to removal of licence at end-1991. No further action taken.

Australia: Provisional liquidator appointed 8 July.

Bahamas: Subsidiary of Colombian bank controlled by BCCI still in operation (but very small). Central bank considering action necessary.

Botswana: Bank operating under direct control of Bank of Botswana effective on 7 July.

Brazil: No action taken or contemplated. Bank still operating.

Cameroon: Still operating. Representatives of local branch wish to meet with representatives of BCCI Holdings.

Canada: Superintendent took control of assets on 5 July. Arthur Andersen & Co. appointed provisional liquidator.

Colombia: Bank still operating but under special surveillance by Superintendency.

Egypt: Placed under order from Central Bank on 11 July. All assets and liabilities frozen.

Gibraltar: Provisional liquidator appointed (KPMG Peat Marwick) on 9 July.

Ghana: Management taken over by Bank of Ghana which is providing liquidity. Domestic operations now functioning normally after initial uncertainty.

Hong Kong: Commissioner suspended operations on 8 July after brief attempt to keep afloat.

Decision taken on 17 July to apply for liquidation.

Indonesia: Leasing subsidiary supervised by Minister of Finance and suspended since March 1991 due to lack of capital.

Italy: Finance subsidiary does

not take deposits and is not subject to Banca d'Italia supervision.

Lebanon: Supervisory action taken to safeguard interest of depositors. Staff went on strike on 6 July.

Netherlands Antilles: Finance company dormant since 1989. Already in process of liquidation.

Niger: Operation closed on 8 July and Provisional Administrator appointed.

Nigeria: Bank still operating under close watch of central bank.

Oman: National Bank of Oman still operating.

Spain: Licence revoked 5 July. Put into Chapter 11 in on 6 July.

Swaziland: Bank still operating. Central bank expressed confidence in local operation.

Switzerland: Observer from Price Waterhouse put in with powers to stop transactions if considered necessary. No transactions permitted with rest of the BCCI Group.

Thailand: BCCI minority interest purchased by other shareholders. Staying open.

Trinidad: Central bank suspended operations on 5 July and took control of assets.

Uruguay: Central bank took control of assets on 6 July and appointed official to manage bank's affairs.

UAE: BCC (Emirates) still operating. Statement of confidence in local subsidiary by central bank.

Zambia: Operation remains open. Bank of Zambia has expressed confidence in financial position.

Zimbabwe: Bank open. No payments abroad without R. Bank of Zimbabwe approval.

PRICE WATERHOUSE

Some liabilities not in accounts, report says

By Richard Waters

PRICE Waterhouse identified \$589m (£342m) of potential liabilities at BCCI that were not shown in its draft 1990 accounts, according to a report from the bank's provisional liquidators yesterday.

In a report supporting the Bank of England's winding-up petition, the three partners of Touche Ross who are acting as provisional liquidators of BCCI said that the group's balance sheet showed a deficiency of \$147m at the end of 1990.

In addition, BCCI may have to take back on to its books some \$4.1bn of BCCI's bad loans that had been transferred to the Abu Dhabi government under a refinancing completed on May 22.

If the bank goes into liquidation, further substantial provisions against the bank's loans may be necessary, the provisional liquidators warn.

Touche Ross was reporting only on the Luxembourg-based BCCI SA, which operated the UK branches of the group. The company accounts for about \$9m of total BCCI group assets

of \$23.5bn reported at the end of 1990.

If Abu Dhabi is unable to place the bad loans back with BCCI, its losses from the closure of BCCI might top \$6.5bn.

Of that, \$800m was spent on buying majority control of the bank in April 1990, while \$400m was extra capital put into the bank at that time. The Abu Dhabi government and related agencies also had more than \$1.9bn on deposit with the bank at the time it was closed.

The bulk of BCCI SA's deposits were placed in the UK, according to Touche Ross. Its report shows that its UK branches took \$3.25bn of deposits on behalf of 53,000 account holders.

Touche Ross said much of its effort has been taken up with copying BCCI's records to guard against loss. The process has been hindered by the fact that the bank used a computer language now considered obsolete. In addition, all the support material and documents also was removed to Abu Dhabi on June 22.

PROFILE: LORD JUSTICE BINGHAM

No stranger to controversy

By Norma Cohen

LORD JUSTICE Bingham's appointment to head the investigation into the BCCI affair is the latest of a series of political hot potatoes to have landed on the 67-year-old law lord's lap.

No stranger to controversy, Lord Justice Bingham headed the investigation in the late 1970s into sanctions-busting trade with what was then Rhodesia, now Zimbabwe, by UK oil companies.

That report concluded that not only had the companies knowingly violated sanctions, but that government officials were aware of their activities.

Most recently, he was one of the "Three Wise Men" asked to review cases of Arabs facing deportation from Britain as security risks during the Gulf war earlier this year.

During that investigation he allowed petitioners to be represented by non-legal counsel. The court delivered a rebuff to the Home Office by allowing Abbas Shihab, a Palestinian poet, to remain in Britain.

A controversial ruling in the Court of Appeal that an adult may seek damages over sexual abuse in childhood was made by Lord Justice Bingham, although the standard limitation for such claims is three years. He ruled that the plaintiff could not have been made aware of the extent of her

injury until she was adult. He once reduced an audience of barristers into howls of outrage by declaring that some of the Lord Chancellor's recent proposals for revamping the legal profession were sensible, and that restrictions on solicitors' appearing in higher courts were "illogical and indefensible". The legal profession, he told them, is seen by the public as "riddled with anachronistic conventions and privileges".

A wish to have a barrister define an "exotic dancer" caused a modest stir when he was hearing an appeal by a pub landlord convicted of running a disorderly house.

In spite of his history of controversy, Lord Justice Sir Thomas Bingham's background is the epitome of an establishment man.

He is described by barristers as one of Britain's top three judges, one of the best brains on the bench, particularly in commercial matters.

Educated at Sedburgh and at Balliol College, Oxford, he read history - rather than law, as might be expected. Called to the Bar in 1956, he gained early experience in commercial law and served as a judge of the Commercial Court between 1990 and 1998. He is married has three children.



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UK NEWS



Wharf developers lobby Major

By Philip Stephens, Political Editor

THE developers of Canary Wharf have appealed directly to Mr John Major for government help to ensure the success of the recession-hit office complex in London's Docklands.

The approach to the prime minister from Olympia & York has prompted Mr Michael Heseltine, the environment secretary, to propose that thousands of civil servants should be transferred from central London to offices in the £4bn development.

But Whitehall officials expect the plan to run into opposition from the Treasury because of the high cost of space. Comparisons suggest that - even after generous discounts - the government would have to pay about a third more per square foot in Canary Wharf than for offices much closer to Whitehall.

The officials believe that the Treasury will oppose also a request from the Toronto-based Reichmann brothers, the owners of O & Y, for a larger and accelerated government commitment to improved transport links.

The officials said the Reichmanns told Mr Major at a meeting last month the prob-

lems facing Canary Wharf as a result of the slump in the property market and the inadequacy of existing rail and road transport to central London.

O & Y keeps the financial details of the Canary Wharf project confidential, but its recent contacts with the government have confirmed reports that both its occupancy rate and rentals have so far fallen well short of initial targets.

Yesterday it declined to comment on its contacts with the government.

The recession has significantly eroded the competitive advantage of Canary Wharf over developments in the City,

while prospective tenants have also been put off by the inadequacy of the Docklands Light Railway and by poor road links.

The developers' Downing Street meeting with Mr Major was followed by separate talks with Mr Heseltine and Mr Michael Portillo, the minister of state at the environment department.

Mr Heseltine, who as environment secretary in the early 1980s was instrumental in the creation of the Docklands Development Corporation, is understood to be keen to demonstrate the government's commitment to the complex.

He has suggested that a

move by DOE civil servants from their crumbling Marsham Street headquarters could be followed by the transfer of other Whitehall civil servants to docklands.

He also wants an acceleration of work on London Regional Transport's proposed extension of the Jubilee Underground Line to Canary Wharf.

It is understood that the government would pay just over £20 per square foot for space in the Docklands complex. Initial surveys by officials have shown that comparable space much closer to Whitehall on the south bank of the Thames could be secured for a rent of the £15 or less.

Mr Heseltine will find it difficult therefore to argue that there is any commercial justification for a move to Docklands, particularly as the dispersal of civil servants to locations outside London is continuing to free other space in Whitehall.

The officials said, however, that the environment secretary might yet succeed if he can persuade the prime minister of the need for the government to demonstrate its confidence in the long-term future of docklands complex.

French to join UK venture in rail freight

By Richard Tomkins, Transport Correspondent

BRITISH RAIL is about to form a joint venture with French national railways and some of Britain's biggest private road hauliers to offer combined road/rail freight services to and from the Continent.

Mr Malcolm Rifkind, the transport secretary, said he wished to encourage the venture because it reflected his determination to see a big expansion of private sector involvement in rail operations.

The plans for the joint venture were unveiled by Mr Rifkind and BR yesterday as they met 100 representatives of the UK freight industry to discuss how more freight could be switched from road to rail.

The company, called Combined Transport Limited, will be 15 per cent owned by BR and SNCF.

The remaining 85 per cent will be split between two Continental combined transport operators - Novatrans of France and Kombi Verkehr of Germany - together with the Road Haulage Association and 18 of Britain's biggest haulage companies.

It will market combined transport services in which a container starts and finishes its journey on a lorry but travels the long distance part of its journey on a rail wagon - a growth sector of the freight market on the Continent.

Combined transport has so far made little impact in Britain because most freight journeys are too short to make the transfer to rail worthwhile. But BR and Mr Rifkind believe the economics of Continental freight journeys will shift in favour of rail with the opening of the Channel tunnel in 1993.

Mr Rifkind and Mr John Welsby, BR's chief executive, yesterday used the same conference to unveil details of planned freight services to the Continent which would sharply cut existing rail timings. The Glasgow to Paris journey time of 116 hours would fall to 28 hours, said Mr Rifkind. Similarly, Manchester to Dijon would fall from 114 hours to 26 hours.

TRADE FIGURES

Turnaround in car industry bolsters return to surplus

By Peter Norman, Economics Correspondent

THE OFFICIALS at the Central Statistical Office were adamant last month's trade figures showing the UK's first current account surplus since February 1987 could not be ascribed to freakish conditions.

Instead, Britain's return to the black seems to be a story of industrial success with increased exports of cars, chemicals and capital goods helping to produce the nation's first surplus in manufacturing trade since February 1984.

Although good, the June figures should not be a cause for euphoria, however.

The current account surplus - a provisionally estimated £23m after adjustment for seasonal factors - could easily be revised away in one of the many revisions to which trade figures are subjected.

It could also be argued that a traditional exporting nation such as the UK should be recording huge trade surpluses in the light of the deep recession of the past year.

But Britain's export trade as measured in volume terms and without oil and erratic items such as ships, aircraft and precious stones, has been on a steadily improving trend for the past five and a half years, according to official figures.

While there has been little change in the underlying level of non-oil import growth in recent months, non-oil export volumes have continued to grow.

The fears that British

exports would be rendered internationally uncompetitive by placing sterling in the exchange rate mechanism of the European Monetary System with a central rate of 2.95 D-Marks appear to be unfounded.

Indeed, Britain recorded a surplus of £40m in trade with its European Community partners last month. In 1989, Britain's trade with the rest of the EC was a massive £16.27bn in the red.

A reversal of fortunes in the car industry explains much of this turnaround. Britain is now producing more cars for export than for the home market. UK exports of passenger cars rose by more than a fifth in volume between May and June this year. In volume terms, UK car exports are currently around 2½ times higher than in 1985.

By contrast, car imports have languished below 1985 levels so far this year. In volume terms, they were some 29 per cent lower in the second quarter than in the second quarter of 1990. Measured in value, UK car exports now cover nearly 80 per cent of imports compared with just 34 per cent two years ago.

Second quarter figures show other export sectors performing well. Exports of chemicals were up 5 per cent in volume terms while capital goods exports were 7 per cent higher compared with the first quarter.

Can these trends continue?

Is Britain entering a period of export-led growth?

There are doubts among government officials over whether the recent sharp increase in car exports can be sustained.

On the other hand, the UK exporters stand to benefit further from the recent strong rise of the dollar.

The latest figures also suggest that the UK is taking advantage of the recovery from recession of the US and Canadian economies.

In value terms, second quarter exports to North America were 19 per cent up on first quarter levels, compared with a 3 per cent increase in sales to the rest of the EC over the period and 5.5 per cent growth in sales to the rest of western Europe.

Furthermore some £500m of the recovery is expected to result from payments by foreign governments towards the UK's Gulf War costs. Other "invisible" improvements are expected to result from increased travel and tourist receipts following the end of the Gulf war and a rise in earnings on UK investments abroad.

The government is hoping for increased invisible exports generally; made up of items such as banking, tourism and transfer payments from abroad. It has already pencilled in an invisible surplus of £1.2bn in the second quarter compared with just £231m in the first three months of 1991.

CURRENT ACCOUNT (£bn)

	Current Balance	Total	Visible Trade Balance			Invisibles Balance
			Loss oil and services	Exports	Imports	
1989	-16.8	-24.0	-27.0	92.8	116.8	+4.2
1990	-13.8	-17.8	-20.5	102.7	120.7	+4.1
Qtr 2	-5.1	-5.3	-6.0	25.9	31.2	+0.2
Qtr 3	-1.8	-3.7	-4.8	26.8	28.3	+1.6
Qtr 4	-1.8	-3.0	-3.7	25.8	28.9	+1.4
1991						
Qtr 1	-2.8	-2.6	-3.4	25.1	27.9	+0.2
Qtr 2	-0.9	-2.1	-2.7	28.1	26.2	+1.2
Feb	-0.8	-0.7	-1.1	8.3	9.0	+0.1
March	-0.8	-0.8	-1.1	8.5	9.3	+0.1
April	-0.4	-0.8	-0.9	8.5	9.3	+0.4
May	-0.5	-0.9	-1.1	8.8	9.5	+0.4
Jun	0.0	-0.4	-0.7	9.0	9.4	+0.4

Available for April to June 1991 are projections. May figures are provisionally adjusted, and may not add up, due to rounding.

Source: CSD

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US \$ (thousands)	December 31, 1990		12 months ending Dec.31, 1990	
	Total Assets	567,219	Net Interest Income	28,962
	Shareholders' Equity	67,402	Net Income	15,333
	Deposits	199,350	Return on Assets	2.9%
	Loans, net	336,890	Return on Equity	27.9%

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UK NEWS

Major's charter based on Thatcherite ideals

By Philip Stephens

CITIZEN and charter are not words that would ever have appeared to Mrs Margaret Thatcher. She carried them to the strong of the many state to appeal for such an uncompromising champion of the individual.

But beyond its title there was little if anything in the policy document published yesterday by her successor in Downing Street that Mrs Thatcher could quarrel with.

The vision of a more effective, efficient public sector set out by Mr John Major started with three quintessentially Thatcherite principles: more privatisation, more competition, more contracting out.

There were obvious nods in the direction of populism. Passengers stranded by British Rail will have the satisfaction of knowing the names of the guards they board.

Ministers are convinced also that many of the seemingly small measures in the charter - the promise of annual school reports or the introduction of hospital appointment systems - will catch the voters' eye.

But it is in the reliance on the market - the privatisation of British Rail and London Buses, the rapid extension of contracting out by local authorities, the whittling away of the Post Office monopoly - that the Charter offers most prospect of immediate action.

Mr Major shares his predecessor's presumption that, where possible, the best way to improve the quality of public services is to transfer responsibility for their provision to the private sector.

His statement to the House of Commons was peppered with references to the need for greater competition, consumers and choice, favourite slogans of the 1980s.

Ministers acknowledge that in some respects the document is a repackaging of existing ideas.



Commuters, parents, consumers, taxpayers and patients; John Major aims to protect their rights under his charter

They insist, however, that the continuity with the 1980s does not imply that there is nothing new for the 1990s. As Mr Major said the charter is a starting point for a fourth Conservative term rather than a complete blueprint.

There is an implicit assumption also - never quite there when Mrs Thatcher was in Downing Street - that even after the next wave of privatisation and contracting out large sectors of the economy

will remain in the public sector.

Mr Major's declared aim is to use the plethora of promised standards, targets, penalties and rewards outlined in the Charter to provoke a revolution in the culture of those services.

The same ministers acknowledge privately that the measures outlined yesterday are a relatively modest step. The Whitehall mill - and above all the Treasury - has ensured that

the prime minister's initial ambitions in areas like compensation and performance-related pay have been significantly watered down.

There is little confidence in the main Whitehall departments that the Charter will achieve significant results unless it is followed in the present public spending round with a generous settlement in the key areas of health, education and transport. The sin in the meantime is to win votes.

for it from the National Health Service. In addition to providing the public with more information on health targets, the charter contains two specific plans:

- health authorities will have to set guaranteed maximum waiting times for in-patient and day-care treatment
- out-patients will receive individual timed appointments for hospital visits, with normal maximum waiting times displayed in waiting areas

SUMMARY

Labour law

CONSUMERS are to be given the right to bring legal action against unions to stop unlawful industrial action in the public services.

The new rights for consumers are likely to be fleshed out in a consultative document on employment law due to be published tomorrow.

Privatised utilities

PROPOSALS for increasing consumers' redress against privatised utilities centre on a promise to bring the formal powers of the industries' regulators up to the level of the strongest.

Regulators - such as Ofgas and Ofwat which cover the gas and telecommunications industries respectively - will all be given powers to ensure legitimate complaints result in the utilities paying out compensation.

Health service

THE CHARTER'S proposals for the National Health Service build on this year's health reforms and give the government a chance to inject more "patient power" into them.

The charter's proposals encourage a change of attitude which is already developing in parts of NHS - the notion that patients must be seen as customers with rights rather than supplicants who should be grateful for their treatment however long they have to wait.

Public transport

THE SECTION on public transport reflects the government's difficulty in attempting to give passengers a better deal from nationalised organisations such as British Rail and London Transport.

Since neither organisation makes any profits from which compensation can be paid, any penalties imposed for poor service can only be retrieved by raising taxes, raising fares, or postponing investment.

BR gets off lightly as a result. Privatisation, the charter says, is the key to better service.

Privatisation plans will be published in a white paper, or government policy document, later this year, incorporating the end of British Rail's monopoly and the appointment of an independent regulator to ensure fair access to the network.

Postal system

THE LOWERING of the £1 limit on the Post Office's monopoly on letters will allow private enterprise to challenge the Post Office in first-class letter deliveries - one of its biggest areas of business within the UK.

Scotland

Mr Ian Lang, Scottish secretary, said four specific Scottish charters relating to health, education, housing and justice would be introduced.

BRITAIN IN BRIEF



US may veto sale of jets to Iran

The US government may veto a \$30m package to supply Iran with four British Aerospace commercial jets. The company says the US state department is unlikely to give the deal the go-ahead.

The wings, avionics and engines for the four BAe 146 jets are manufactured in the US, making the deal subject to US approval. The state department is reported to be concerned about Iran's continuing support of terrorism. A formal decision has not yet been made. BAe said the veto, if confirmed, would be unprecedented.

Rail crash inquiry ordered

The government has ordered an independent public inquiry into the head-on train crash near Glasgow which killed four and injured 22 late on Sunday night.

It was the first crash in which passengers were killed since a commuter train ran into the buffers at London's Cannon Street station in January, killing two and injuring more than 500.

Strike for shorter week

Manual workers at the south England sites of De La Rue, the security printer and payment machine maker, have launched an indefinite strike for shorter hours. It is believed they are the first group to stage a working time stoppage among UK blue collar workers already on less than 37 hours.

Census finds shift from cities

A shift in population away from Britain's urban areas is confirmed in the first results of April's census. Across England and Wales remoter rural districts, new towns and resort and retirement districts experienced the greatest increases in population. Districts with the most significant reductions were the principal cities of metropolitan districts, like Liverpool and inner London boroughs.

Welsh industry in downturn

Only 17 per cent of Welsh manufacturing industry is operating at full capacity as the recession bears down upon the principality, and unemployment is also expected to rise. A report by the Cardiff Chamber of Commerce, covering the Federation of Welsh Chambers, shows that few companies in the sector are planning to invest in either new machinery or buildings.

Disaster code proposal

A ten-point code of practice to help to prevent disasters has been proposed by the Engineering Council, the organisation for professional engineers and technicians. The code is intended to stimulate a wider debate on risk assessment and management.

Sir William Francis, chairman of the Engineering Council's working party on engineers and risk issues, said inquiries in to recent disasters had identified root causes such as poor communication, inadequate management and shortfalls in safety cultures.

Disclosure on managers' pay

Companies should be required to disclose more details of how their directors are paid, the Chartered Institute of Management Accountants has said. There is no evidence that top managers are manipulating their accounts to boost performance-related pay, it said. But the potential exists for them to do so.

Group fails to buy centre

Porton International, the London-based biotechnology company, has failed to persuade the government that it should be allowed to buy the Centre for Applied Microbiology and Research at Porton Down, Wiltshire, from the Department of Health. But the agreements giving Porton International extensive rights to the research centre's technology, signed in 1985, are to remain.

Nalgo delegates accept decision

More than 1,000 delegates of Nalgo, the public service union, voted to accept their leadership's recommendation to ballot clerical members in local government on a series of strikes over pay.

The decision to organise the vote on the 6.4 per cent pay offer follows a tentative settlement last week between leaders of 900,000 blue collar workers and employers on a similar offer.

New chief for Toyota (GB)

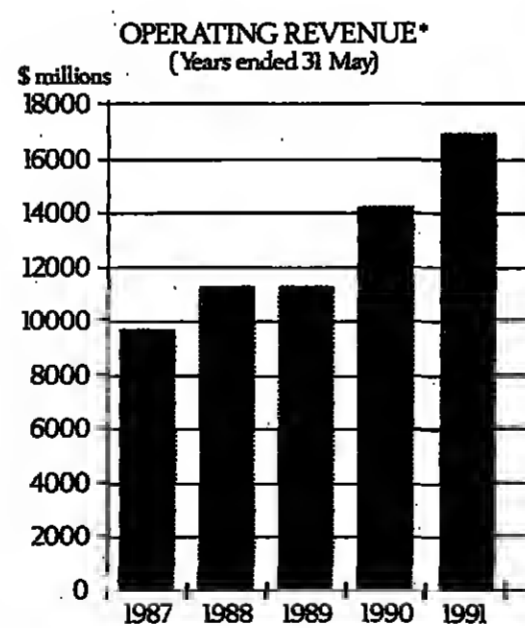
Mr Simon Foster, director of the Society of Motor Manufacturers and traders for the past 3 1/2 years, is to leave at the end of the year to become chief executive of Toyota (GB), the Inchcape Group subsidiary which distributes the Japanese cars in the UK. He will succeed Mr Alan Marsh, who is joining Inchcape's main Board to take up overall responsibility for Inchcape's various Toyota distribution businesses world-wide.

Power station agreement

European Cellulose Manufacturers has agreed with IVO Energy, the Finnish generating company, to build a 1,100 Megawatt gas-fired power station at its Rimberville site. The company said the plant will provide power for its planned straw pulp mill on the same site. The pulp mill and power plant will require total investment of £1bn.

BHP 1991 ANNUAL RESULTS

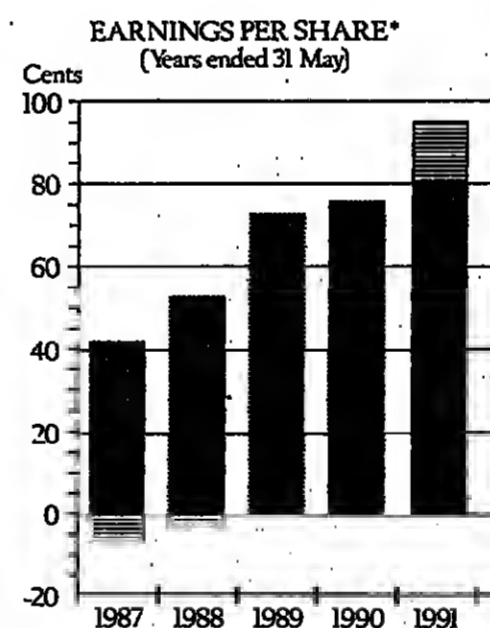
BHP's earnings growth continues from internationally competitive operations



* Excludes petroleum excise

Operating revenue increased 20% to \$16.9 billion as a result of improved prices and volumes for Petroleum and Mineral products. Reduced sales revenue from the Steel Group partly offset these increases.

The Company continued major investments in its three core businesses with capital and investment expenditure exceeding \$2.3 billion.



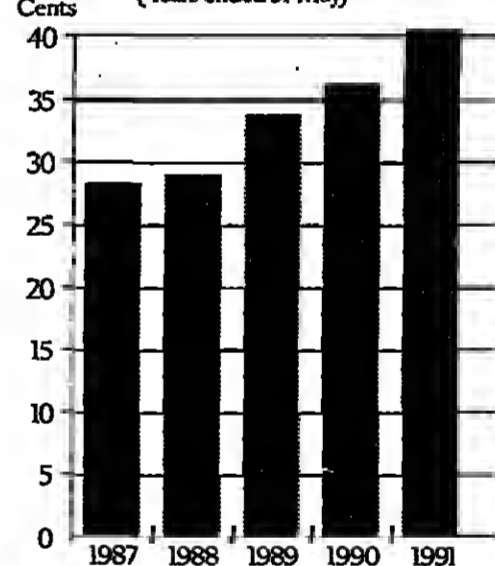
* Weighted average for year, adjusted for issues

In 1991 BHP achieved a record profit of \$1423 million, a 29% increase on last year's \$1103 million result. Net abnormal items added \$222 million to profit.

Earnings per share, at 95c, were 25% up on last year. Abnormal items contributed 15c. Dividends increased by 11% to 40.5c for the year.

MINERALS. Minerals achieved a record result of \$830 million including an abnormal item of \$219 million from the merger of BHP Gold and Newmont Australia. Improved performances from Australian Iron Ore, the commencement of shipments from the Escondido copper mine in Chile and higher prices for manganese ore all contributed.

DIVIDENDS PER SHARE* (Years ended 31 May)



* Dividends declared, adjusted for issues

PETROLEUM. Positive factors included higher crude oil prices, strong production volumes and changes in Australian taxation. A record operating profit of \$650 million was achieved after a 38% increase in exploration expenditure.

STEEL. The recession in Australia had an adverse effect on the Steel Group's results which fell 53% to \$262 million. Despatches to the Australian market were at the lowest level since 1983. Sales to other markets accounted for 36% of total steel despatches.

FINANCIAL. BHP's gearing ratio improved to 42% from 47% a year earlier and interest expense was covered 3.3 times. Net interest expense was \$220 million lower than last year due to a reduced average debt level and lower interest rates. BHP* is listed on international stock exchanges in Australia, Germany, Japan, New Zealand, Switzerland, United Kingdom and United States of America.

BHP
Australia's International Resources Enterprise.

* All figures in \$A

*For more information or to obtain a copy of the Annual Report contact: United Kingdom: GV Khac Corporate Manager London, 3rd Floor 90 Long Acre, London WC2E 9RA, Telephone (071) 334 0803, Facsimile (071) 379 4434

TECHNOLOGY

Service to sing about

Della Bradshaw explains how digital broadcasts are being sent down the French phone network

When Montpellier's soccer team played Manchester United in the European cup quarter finals in March, the final score left most Frenchmen gloomy. But for Jos Marien, marketing director of French communications company Xis, there was at least one thing to smile about.

Sitting in the offices of Piccadilly Gold radio, in Manchester, Marien heard the transmission of a live report of the match from Montpellier over a standard phone line. Marien believes it was the first time a 15 KHz radio transmission, giving FM quality sound, had been sent over this dial-up phone network.

The Xis equipment used to achieve this transmission, called Wm, enables radio stations to reduce the costs of their outside broadcasts. Instead of using dedicated phone lines, which have to be paid for whether or not a report is being broadcast, Wm means broadcasters need only pay for the call time they use.

What companies do require, however, is a special type of phone line - known as the integrated services digital network (ISDN) - which enables the digital transmission of voice or data in chunks of 64 kilobits a second. This is enough to transmit about 1,800 words of text every second.

While phone companies

throughout Europe, the US and Japan have been talking about ISDN for the past decade and have been experimenting with pilot services for several years, France Telecom has put its money where its mouth is. It opened ISDN services in Paris and Brittany in 1987 and by last year was providing a service, called Numeris, to any business in France which requested it.

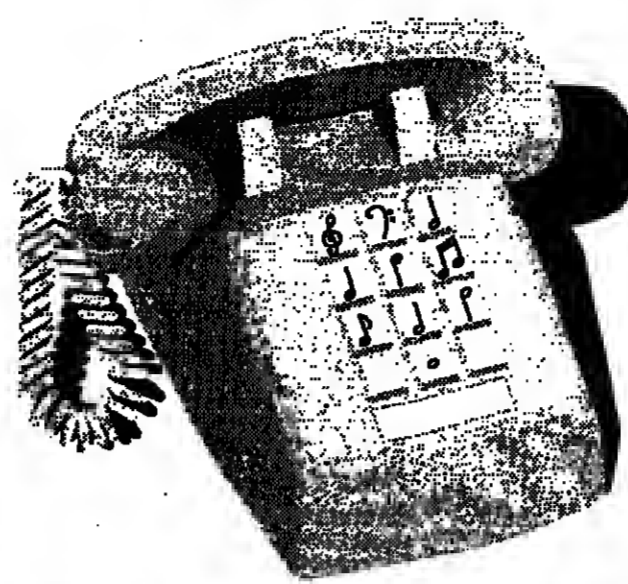
To prevent the service from floundering because there were limited users for ISDN, France Telecom decided that it had to foster the development of a variety of applications which could use Numeris. The company formed partnerships with some 50 small businesses - Xis being one of them - to encourage such developments.

The criteria for selecting

which companies are worth supporting (including financial assistance) are threefold, says Alain Berezat, regional director for France Telecom in Montpellier. The application has to be innovative and must have widespread appeal. It must also be financially viable.

Xis's speciality is developing advanced voice applications for Numeris. Its most popular has been the audiocatalogue for music retailers, which Xis developed with the French National Centre of Telecommunications Studies, the research arm of France Telecom.

Already installed in 11 record stores belonging to FNAC, the French music retail chain, audiocatalogue allows customers to go into the store and listen to a selection of music before making a purchase.



Using a PC with a touch-sensitive screen and a headset, customers scroll through menus which ask what type of music and what album they prefer.

This information is fed over a local area computer network to a database from where the music is sent, together with an image of the jacket cover which appears on the screen.

Each local database is updated by FNAC on a weekly basis - some weeks need as many as 50 titles to be added - over an ISDN line. Because ISDN is digital, the sound

reproduction in the 1990s' version of the listening booth is high quality, unlike the poor-quality sound usually heard when music is sent over the phone line. FNAC is planning to expand the service to include some 30 stores.

Marien admits that audio applications will only constitute a small part of the market for ISDN applications. But, as he points out, for Xis, set up in Montpellier in 1984, "it's a very big market".

Other services already being based on the Numeris network transfer medical images or dis-

grams from repair manuals from one site to another over the phone line. Another enables would-be holiday makers to use touch screens to select information on different resorts. Pictures and text of the location are transmitted from a central database to the local travel agency.

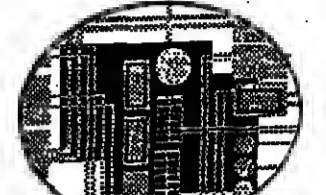
Faster facsimile services - some eight times faster than today's analogue services - are also possible now, while Berezat believes that high-quality moving images for videoconferencing will be available in about two years.

France Telecom's policy appears to be paying off. By the end of last year 30,000 basic ISDN access lines - each with two 64 Kbit/s lines and a signalling channel - had been rented, at a cost FFY 800 (230) a month, compared with FFY 100 for the monthly rental of an ordinary business phone line. (France Telecom offers a basic service of two 64 Kbit/s lines or a premium service which transmits 2 Mbits of data.)

Call charges are fractionally above those for calls on conventional analogue lines. A one-minute call from France to the UK, for example, would be FFY 4.92 using Numeris, compared with FFY 3.79 on a traditional line. An ISDN service between France and Germany was opened in 1990, and between the UK and France earlier this year.

Cutting a niche in machine tools

By Andrew Baxter



TECHNICALLY SPEAKING

The development of numerical controls for machine tools has been one of the most important post-war contributions to manufacturing technology, but its achievement has not always been as straightforward as it seems.

While machine tool types and builders proliferate in their thousands, control systems are seen as the preserve of a handful of powerful multinationals with a strategic interest in factory automation. This, by and large, is true. First it was US companies such as Bendix and General Electric, then Europeans such as Siemens and now the Japanese led by Fanuc that have established the broadsheet combination of technology and market leadership in factory automation.

The top-down, computer-led approach to numerical control, putting it in the same context as robotics, has been remarkably successful. But there is an alternative route to a strong position in at least part of the numerical control market through a natural progression from machine tool precision measuring instruments.

This is the approach taken over the past 15 years by the Bavarian company Heidenhain, which began life 102 years ago as a metal etching company but is best known for its comprehensive range of linear and rotary encoders.

These measuring instruments operate by photo-electrically scanning a thin layer of chrome gratings deposited on a glass or steel surface. The rotary encoders might be used for rotary tables or turning machines such as lathes, the linear scales for everything from microscopes and co-ordinate measuring machines to machining centres where linear movement needs to be measured to a few microns.

For Heidenhain, the big development was in the 1960s with optical, projection-type displays of a measurement as a number down to 0.001mm. This, says Walter Miller, chief executive with special responsibility for technology, led to the development in the 1960s of simple electronic "readouts" of the machine tool's position. For machine tool users digital readouts, which can mea-

sure three axes of movement, are an economical solution. That led to "active read-outs" where the operator could key in a position and the machine would move accordingly. Bolstered by a big initial order from Bavarian neighbour Maho, Heidenhain launched its first TNC (touch numerical control) system in 1976. A steady flow of updated TNC systems, each of which can run programs written for its predecessors, has enabled Heidenhain to sell about 80,000 systems worldwide for milling machine controls.

Heidenhain's aim throughout, says Miller, has been to maintain a "workshop-oriented approach" with the machinist programming the TNC in plain language right at the machine. This has particular advantages for the domestic machine tool market where the apprentice system is still nurtured.

The advantage of the Heidenhain approach is that it keeps the company close to its customers. The drawback is that there is no clear technological path from its control systems to other areas of factory automation.

Heidenhain in any case has no plan for a major thrust because of its commitment to retain world leadership in scales and encoders. These account for two-thirds of its DM 550m (£188m) group sales worldwide.

But Miller is happy with Heidenhain's niche market in numerical controls. While many European machine tool builders have been forced through bitter experience to avoid direct competition with the high-volume Japanese producers, Heidenhain has reached a similar position without the suffering. Well, not too much, anyway.

Highlands' call of the wild

Islay in Scotland is discovering ISDN, writes James Buxton

A former antique shop in Bournemouth, the village which is the capital of the island of Islay in Scotland's Inner Hebrides, has become a stepping stone on the road to exploiting advances in telecommunications in Scotland.

It has been made into a telecottage, an idea which originated in Sweden to help people in rural areas discover information technology and telecommunications. Crammed into its two rooms are four personal computers, a fax machine, printers, a photocopier and some modems.

At first glance it does not seem very different from a photocopying shop. It offers photocopying, word-processing and fax services to the local inhabitants (there are 4,000 people on Islay) at a commercial rate. But the main role of its staff (one full-time and several volunteers) is to introduce people to personal computers and to provide training in using them.

Familiarisation courses are free but Islay Teleservices, as it is called, charges for training courses. Highlands and Islands Enterprise (HIE), the development body for the area, expects it to become self-financing in a few years.

The aim of the telecottage on Islay, one of four being set up in different

parts of the Highlands and Islands, is to exploit the new possibilities opening up to people in remote areas as information technology and improved telecommunications make it theoretically possible to work from home almost anywhere - a practice known as "teleworking".

Alan Hunter, who chairs the volunteer group which created Islay Teleservices, is an early example of the breed: he moved from England to the peaceful life of Islay but continues his business as a computerisation consultant, occasionally flying out via Glasgow to visit clients in different parts of the world.

But though Ann Clark, who manages Islay Teleservices, says the opening of the telecottage last month has aroused great interest, there are reckoned to be fewer than two dozen personal computers in private hands on the island.

HIE, however, believes teleworking holds good possibilities for the Highlands. In one of its biggest single investments it is subsidising a pro-

gramme by British Telecom to make telecommunications in its area as advanced as anywhere in Britain. It is making a grant of £5m to the £15m cost of installing new digital exchanges at 64 towns and in upgrading cabling.

By next year people in the main population centres of the Highlands and Islands should have greatly improved telephone lines, and should be able to obtain ISDN.

ISDN stands for integrated services digital network, offering a set of services such as very high speed data transmission and faxing and even videoconferencing. ISDN is reaching the Highlands at about the same time as London, Manchester and Edinburgh, but ahead of most other British cities, and probably a decade earlier than BT could justify on commercial grounds.

Digitisation will not reach Islay until next year and whether the islanders, who mostly live off farming, fishing and tourism, will be ready to make the most of it, let

alone embrace ISDN, depends partly on the efforts of the telecottage.

Indeed questions are now being asked whether the Highlands and Islands telecommunications initiative is justified on economic grounds.

With ISDN only just becoming available both in the Highlands and in the other parts of Britain, it is not surprising that there are only about 20 ISDN lines in use in the area.

Perhaps more surprising is that no detailed study of demand for ISDN was carried out before the project was approved by the Treasury, and so far few people living in the Highlands have expressed serious interest in it. BT and HIE quote the example of a company named Crossrig, based at Helensburgh on the Firth of Clyde, which offers a service abstracting and indexing material for medical publishers. It is beginning to use editors operating from home who receive and return material transmitted cheaply at very high speed over ISDN connections.

Sir Robert Cowan, chairman of

HIE, says that the aims of the telecommunications initiative include the defensive one of keeping businesses in the Highlands up to date, as well as encouraging the creation of operations based on telecommunications such as Crossrig. Ultimately it is hoped to persuade businesses to relocate to the north and west of Scotland so as to escape crowded urban areas, though it is accepted that good telecommunications are only one of many factors in a company's decision to relocate.

Relatively few people in Britain, let alone the Highlands of Scotland, have heard of ISDN and fewer still understand what it means. The joke is that it stands for "I still don't know." This is partly because it has only come into operation in Britain in the past few months and until BT took the plunge little equipment for use on ISDN had been approved or marketed by the manufacturers.

Now, says Colin Favery of BT, "new ISDN equipment is getting approval every week. The bit in the middle is the customer. What we're doing in the Highlands and Islands is improving basic services, and giving people access to packet switching for the price of a local call throughout the Highlands. ISDN is at the top of the range and will be a specialised market for a long time."

FT LAW REPORTS

Law Lords cannot hear appeal

THE BALEARES
House of Lords
(Lord Bridge of Harwich, Lord
Brandon of Oakbrook, Lord
Griffiths, Lord Jauncey of
Tullichettle and Lord Lowry)
July 18 1991

A COURT of Appeal decision to grant or refuse leave to appeal from the High Court in an arbitration case is final and cannot be appealed to the House of Lords.

The House of Lords so held when dismissing an appeal by Geogas Ltd, owners of the Baleares, from a Court of Appeal decision giving leave to the charterers, Traimmo Gas SA, to appeal from a High Court decision setting aside an arbitration award made in the charterers' favour.

Section 1 (7) of the Arbitration Act 1979 provides: "No appeal shall lie to the Court of Appeal from a decision of the High Court on an appeal under this section unless: (a) the High Court or the Court of Appeal gives leave; and (b) it is certified by the High Court that the question of law... is one of general public importance or is one which for some other special reason should be considered by the Court of Appeal."

LORD JAUNCEY said that the appeal arose out of a dispute between the owners and charterers of Baleares. The ship failed to reach loading point by the cancelling date, and the charterers cancelled the fixture. Arbitrators awarded damages to the charterers.

The owners obtained leave to appeal to the High Court. Mr Justice Webster allowed the appeal and set aside the award. He certified two questions of law under section 1(7)(b) of the Arbitration Act 1979, but refused leave to appeal.

Section 1(7) provided that no appeal should lie to the Court of Appeal "unless (a) the High Court or the Court of Appeal gives leave...".

The charterers applied for leave to the Court of Appeal which, by majority, granted the application. It refused leave to appeal to the House of Lords.

In granting the application the majority took the view that the guidelines laid down in the *Nema* (1982) AC 724 as to the criteria to be adopted in exercising discretion to allow an appeal from arbitrators did not

apply to applications for leave to appeal to the Court of Appeal.

The owners then petitioned for leave to appeal to the House of Lords. The charterers objected that it had no jurisdiction. An appeal committee granted leave without an oral hearing.

At the outset of the appeal Mr Rookson for the charterers contended that a Court of Appeal decision granting or refusing leave under section 1(7) of the 1979 Act was final and unappealable. He relied on *Lane v Esdaile* (1891) AC 210 and later decisions.

Mr Goldsmith for the owners argued that the appeal was not excluded by section 1(7), and that the cases relied on by Mr Rookson, while relevant to appeals from decisions refusing leave to appeal, did not apply to appeals from decisions granting it.

The jurisdiction of the House to hear appeals from the Court of Appeal derived from section 3 of the Appellate Jurisdiction Act 1876, which provided that "an appeal shall lie to the House of Lords from any order or judgment of... the Court of Appeal".

In *Lane v Esdaile* it was held that no appeal lay to the House from a Court of Appeal decision to grant special leave to appeal from a judgment of the High Court when the time for appealing had expired under Order 58 rule 15.

The Order provided "No appeal to the Court of Appeal from any interlocutory order... shall, except by special leave of the Court of Appeal, be brought after... 21 days".

Lord Halsbury LC said "if that is intended as a check to unnecessary or frivolous appeals, it becomes absolutely illusory if you can appeal from that decision or leave... How could any court of review determine whether leave ought to be given or not without hearing and determining whether it was a fit case for an appeal? The result would be two appeals."

Lord Herschell said the object of Order 58 rule 15 was to make judgments practically final, but it was thought there might be special circumstances in which the Court of Appeal might relax that rule and permit an appeal.

He said "the exercise of a discretion of that sort entrusted to them is not, within the true meaning of the Appellate Jurisdiction Act, an order or judgment from which

there can be an appeal".

Lord Macnaghten said "the Court of Appeal are constituted the sole and final judges of the question whether an appeal to them should or should not be admitted within the proposed period to elapse, and there could therefore be no appeal from grant or refusal."

Two points emerged from those speeches: (1) that an exercise of discretion to grant or refuse leave to appeal was not an order contemplated in section 3 of the 1876 Act; (2) that there was no distinction between orders refusing and granting leave to appeal.

Lane v Esdaile was followed by the Court of Appeal in *Housing of the Working Classes Act 1900, ex parte Stevenson* [1901] 2 QB 689, 611, 613.

Lord Esher in *Stevenson* said that where power was given to a legal authority to grant or refuse leave to appeal, its decision was "from the very nature of the thing", final and conclusive, and if there could be an appeal from its decision "the result is an absurdity and the provision is made of no effect".

Lord Justice Lopes said that where an appeal was made subject to leave of the court or any other legal authority, grant or refusal of leave by that court or legal authority was final and unappealable. He said "the object of making appeals subject to leave is to prevent unnecessary and frivolous appeals".

In *Re Pok* (1983) 1 WLR 2 the House held that it had no jurisdiction to entertain an appeal from a Court of Appeal refusal to grant leave to apply for judicial review under RSC Order 53. In his speech Lord Diplock referred with approval to *Lane v Esdaile* and to *Re Housing of the Working Classes Act*.

Finally, in *Richards v Richards* (1990) Fam 194, 201 Lord Donaldson MR said "what *Lane v Esdaile* decided, and all that it decided, was that where it is decided that an appeal shall lie by leave of a particular court or courts, neither the grant nor refusal of leave is an appealable decision".

Although those cases were concerned with appeals from refusals of leave, in all but *Poh* grants and refusals of leave were referred to as though they were subject to the same considerations.

It was the court's decision itself, rather than the nature of the decision, which determined finality.

That approach was entirely logical. There was no justification for drawing a distinction between a decision refusing leave and a decision granting leave.

Section 1 of the 1979 Act contemplated that judicial review of arbitration awards should take place only in limited circumstances.

An appeal lay to the High Court on a point of law, but only with the consent of all parties to the reference or with leave of the court, which was not to be given unless certain specified circumstances existed (subsections 3 and 4).

No appeal lay to the Court of Appeal unless the High Court or Court of Appeal gave leave. The legislative intention of limited review would be rendered nugatory if appeals were to lie to the Court of Appeal and then to the House against a decision of a judge refusing or granting leave to appeal from an appeal to the High Court, and if an appeal were to lie against a Court of Appeal decision to refuse or grant leave to appeal from the High Court to itself.

To allow such a situation would produce the absurdity referred to by Lord Esher in *Re Housing of the Working Classes Act*.

The rule of *Lane v Esdaile* and the principle stated by Lord Esher in *Re Housing of the Working Classes Act* applied. It followed that the House had no jurisdiction to entertain the appeal, which must be dismissed.

Mr Goldsmith submitted that the appeal committee, in granting leave to appeal, decided the question of competence in the owners' favour.

That was rejected. If *per incuriam* the appeal committee failed to appreciate the significance of the charterers' objections, such oversight could not clothe the House with jurisdiction it did not possess. If on the other hand the appeal committee postponed consideration of the matter until the hearing of the appeal, no decision had been made.

In neither event was the House disabled from now considering the question.

Their Lordships agreed. For the appellants' shipowners: Peter Goldsmith QC and Timothy Worthington (Lawrence Graham). For the respondents' charterers: Kenneth Rookson QC and Peter Gross (Ince & Co).

Rachel Davies
Barrister

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MANAGEMENT: The Growing Business

Investing in start-ups

Angels rush in where bankers fear to tread

Barbara Durr reports on a crucial catalytic force in American entrepreneurialism

Philip Romano peruses about half a dozen proposals for business start-ups each month, sniffing for a winner. He believes he knows one when he sees one. Romano is one of a breed of American entrepreneur known as a financial angel.

"I feel I've got an innate sense of what the market wants," says Romano, and it doesn't matter what industry it is. He has shepherded business ventures to success in everything from restaurants to his own line of work - bio-technology and computer software.

"I get involved with someone else's idea and provide some interim finance," he says. But that is a modest description of the role of angels, who have become the most crucial catalytic force in American business today.

After a spate of bad experiences in recent years, US banks and venture capital firms are shying away from funding business start-ups and angels, playing their proverbial role, are stepping in where others fear to tread.

According to estimates by the US Small Business Administration, capital provided by angels amounts to approximately \$40bn a year, or about 20 times what is currently

available from formal venture capital firms. George Gendron, editor-in-chief of INC magazine, which specialises in covering small and growth businesses, says the figure for informal or angel capital "is unknowable".

But there is a consensus that it is exponentially larger than what is available through formal venture capital firms, now running at a paltry \$1bn to \$2bn per year.

A head count of angels is also difficult to make. An indication is the estimate that arm's length investors are involved in some 20,000 early stage companies each year. While the importance of their economic role and their allure as the prototypical bold individual capitalist makes them objects of interest, angels are elusive. They tend to like to work without publicity, in part for fear of being deluged with proposals from money hungry entrepreneurs.

They usually work discreetly within a network of personal friends and contacts which are located most often in the geographical area closest to their homes. This makes consulting with associates and dropping by on their investments easier. They put up money, but they are also frequently directly or indirectly involved in the company's management.

Romano, for example, recounts the beginnings of Docucon, a firm that began with the idea of putting documents on laser discs and is now a publicly traded company. He and four other investors each put up around \$100,000 for what they thought was a unique new service. The company began work in 1987 but had some operating problems during the next year. Romano rolled up his sleeves and dived in for 30 days to straighten things out.

In order to improve the company's prospects, he discovered that a tough chief executive officer was needed and more capital had to be injected. He devised a business plan and showed it to a friend, Ed Gistaro, then head of a local San Antonio computer company, who was enthusiastic.

In July 1988 Gistaro agreed to take the company's helm in exchange for a small salary and an equity stake. A year later, the owners engaged the New York underwriters D.H. Blair to take the company public. Docucon has been humming along nicely ever since, with shares up from the initial public offering of 65 cents to \$1.20 now, with a peak of \$1.81.

While Romano has made a handsome profit on this and other deals, he says that, in considering an investment, he

doesn't think about making money. "I think about not losing money. And I think about doing it right." This attitude appears characteristic of angels, whose thrill appears to consist of helping a company to grow.

According to David BenDaniel of the Johnson Graduate School of Management at Cornell University, "They banker for the excitement of the high-growth company." These affluent individuals, many of whom run their own businesses, hold other jobs or have retired early, serve as a bridge between the entrepreneur and larger sources of capital. Their contributions are usually in the \$20,000 to \$250,000 range, though some can go higher.

They also frequently work together with other angels. One group of four older entrepreneurs based in New Hampshire is known as "The Breakfast Club". They get together about seven times a year to scrutinise new company proposals and usually decide to finance a few. Having been entrepreneurs themselves, angels understand from experience what must be done and who to approach for larger cash injections.

Yet perhaps what they know best is how to recognise the

right stuff in an entrepreneur. "The only bet you're making is a people bet. Ideas are a dime a dozen," says William Sahlman of Harvard Business School, who not only teaches entrepreneurial finance but plays angel on the side.

Even what looks to be a good bet does not usually become a big winner. Sahlman calculates that only about 15 per cent of such investments are successful, while the other 85 per cent "don't do much". In as many as a third, investors may lose money, he says.

As a result of such high risks, angels tend to diversify. They may invest in as many as a dozen or so companies staggered over different time periods. The serendipitous nature of angel activity seems to work remarkably well.

But there are some who are attempting to formalise the angels' inherently informal way of working. The Massachusetts Institute of Technology's Enterprise Forum, for example, has recently acquired what is called the Venture Capital Network, a computer data base for matching entrepreneurs and investors. For a \$250 fee, angels and entrepreneurs can put their names, needs and interests in the data bank for six months.

Roger Wilson, executive director of the Venture Capital

Network, says the service receives some 30 or so requests for further information on matches per week. Yet angels have their downsides, too. Some panic quickly at the first signs of serious trouble in their venture. Some are oppressively egotistical, and try to impose their control on every step taken by the new company.

But problems can arise when companies need more capital for a second, crucial stage of growth. Some angels may not be able to meet this need and they in turn approach their contacts for bigger capital.

One of those involved in this special interstice is Stefania Aulicino, founder and president of Capital Link, a Chicago-based investment banking firm specialising in growth companies. Aulicino says that angels have limited capital and use her as the link to deeper pockets. While they may have a set of venture capital funds to work with, she has hundreds. "Financial angels come to me because it's more cost effective and takes less time for me to do it," she says.

She has also created a subscriber network, including many financial angels, that connects entrepreneurial companies not only with the possibility of money, but with the sort of managerial expertise



that can make them more attractive to big money.

She believes there is enormous demand in the market to remove the ad hoc nature of angel connections. But for the moment, she has little competition because few investment bankers want to take the time to deal with small, still-in-the-making companies. And, unlike normal investment bankers who make their

money from fees, Aulicino will accept half her fee in risky equity.

While many say that the informality of the angel network functions superbly well, Aulicino and the Venture Capital Network appear at least to have tapped a certain need on both sides of the market. Yet, for well established angels like Romano, a serendipitous solo act is part of the thrill.

Avoid job descriptions that only attract Superman

Realism is essential when recruiting. Charles Batchelor offers hints to employers

It should be easier to recruit staff during a recession because more good people are available. But the reality is that so many people respond to a job advertisement that applications can threaten to overwhelm the prospective employer.

It becomes even more difficult to choose the right candidate, says Jeff Groat, managing director of Robert Half, a financial recruitment company. Do not rush into finding a replacement when someone leaves, he advises. Decide whether the individual really needs replacing or whether his responsibilities can be taken on by others in the department. Should the job be enlarged or reduced and a different sort of replacement found?

If the departing employee does need replacing, a job description needs to be drawn up explaining the responsibilities of the job and its place in the organisation. A candidate profile should also be prepared outlining the qualifications and experience needed as well as the personality of the candidate.

But guard against writing a job description for which only Superman need apply, Groat warns. Many qualities are desirable but a realistic job description is best limited to what is necessary.

Take account of the potential employee's aspirations and the reasons for the job falling vacant in the first place. Did the previous employee feel frustrated or underused and was this inevitable given the nature of the job?

The first place to look for a replacement should be in the company itself. This saves time and money; it also means the recruit

already knows the company culture and is a boost to staff morale. Personal recommendations by existing staff are an often neglected means of recruitment and some companies reward the person making the recommendation once the recruit has completed six months in post.

If you decide to advertise using in-house expertise rather than the services of a recruitment consultancy you will have to organise the copywriting, layouts and artwork, book the space and deal with the responses.

Do not cram too much information into the ad but provide enough for applicants to make a choice. Candidates for more senior jobs tend to look first at the title, people

on the way up at the salary and junior staff at the location.

Using your company's name improves the response because one in 10 readers does not respond to an ad which does not name the employer. Time your ad so as not to coincide with, say, examinations in the sector in which you are recruiting or with quiet holiday periods.

Make it easy for applicants to respond, if possible with a freepost address and a fax number, day and evening telephone numbers. Thousands of applications go no further than the would-be applicant's briefcase because there are too many obstacles to sending the envelope. If you must use an application form chase up people who have

requested them otherwise more than half will not be returned.

Curriculum vitae have been described as "balance sheets without liabilities". When reviewing cvs keep in mind your job description and candidate profile. Is the type and level of experience described relevant to your requirements; what do the accomplishments really mean and are there any gaps in the record which could conceal failures?

After the paperwork comes the interview. This is neither a chat - you are not just trying to "get to know" the candidate but assessing him for a position - nor an interrogation. Approach it systematically. Re-read the cv and note any

queries you may have. Prepare your questions.

Follow a logical sequence. Greet the candidate; put him or her at ease; give an overview of the aims of the interview; find out about the candidate; describe the job; answer any questions. Avoid interruptions and telephone calls and do not sit behind an imposing desk.

Let the candidate do most of the talking and ask open-ended questions. "Why do you feel you would be a good manager?" will elicit more information than "Are you a good manager?" If you are after specific answers do not allow yourself to be side-tracked.

Take notes to refer to later and to avoid confusion if you are interviewing several candidates.

At the end of the interview let the candidate know the timetable for possible further interviews or when he will hear if he has got the job or not. Do not offer the job at the first interview, however impressed you are. Allow time to reflect.

Always check references. A telephone call will usually elicit a more candid reference than a letter. Verify facts and ask for impressions of strengths, weaknesses and working relationships. If you make an offer give the candidate time to consider and confirm the starting date and salary.

If this seems like a lengthy process compare it with the cost and time involved of appointing someone who leaves after three months of unproductive work, says Groat.

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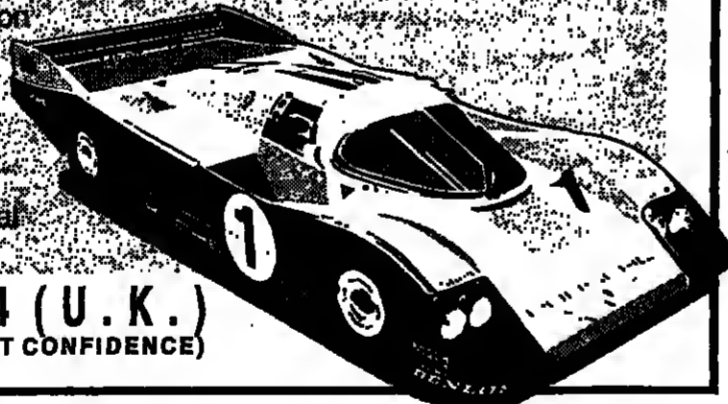
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The world's largest #1 ranked franchise commercial cleaning company is offering the master franchise rights for the U.K. Jani-King is ranked the #3 franchise company in North America and #2 in the fastest growing category. More than 500 U.K. prospects have inquired about becoming a franchisee. For more information, call Jerry Crawford in Dallas at 214-991-0900 or Fax 214-991-5723.

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Solve your Filing/Storage problems. Our client list of Banks, Hospitals and other organisations are benefiting from up to 95% reduction in storage space.

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\$115. COMPLETE Form a corporation within 24 hours. For free information call or write: CONSUMERS AGENTS, INC., P.O. Box 281, Wilmington, DE 19801 USA
TEL: 302/998-0388 FAX: 302/998-7078

HARLEY ST. W.L. Business Centre

full service and office. Business Address: 504 Tel. Sec. Mail. Fax. Boardroom. Flexible terms. Tel: 071-457 9009 Fax: 071-486 0854

DIRECT MAIL LISTS & SERVICES

100's of ready-made lists immediately available. Suppliers to leading UK companies. Free catalogues. Market-lead. Freeport. Chester, Sussex. Tel: 0243 788711

BUSINESS AND ASSETS of solvent and insolvent companies for sale. Business and Assets. Tel: 071 282 1156 (Mon - Fri).

IF YOUR BUSINESS would benefit from a cash injection, we can help. telephone 0222 222074.

OFFICE EQUIPMENT

Entire contents of large office building

Very quantity of good quality furniture.

Less than 18 months old.

3 Executive Suits

3 Conference tables & chairs

Light Oak veneered desks 1800

1600 1200

Tables, chairs, filing cabinets, copiers.

RING TO VIEW

081 549 9339

No machines. Individual items may be purchased.

Touche Ross

Edencorp Leisure PLC
(In Administrative Receivership)

The Joint Administrative Receivers N. G. Atkinson and A. R. Houghton have available for sale the shares in the following wholly-owned subsidiaries:

Great Glen Water Park Company Limited

A time share and rental holiday development in the Scottish Highlands.
□ 2 freehold sites in close proximity at Loch Oich (24 acres).
□ 1 adjacent leasehold site (28 acres).
□ 40 purpose built lodges (11 under time share).
□ 11 chalets.
□ Purpose built restaurant and leisure complex, licensed bar, pool and sauna.
□ Small marina with water sports facilities.
□ Turnover £1.4m.

Whitelands Limited

Amusement park situated on a 7 acre site in North Bay, Scarborough.
□ 2 chairlifts.
□ 2 roller coasters.
□ Amusement arcade.
□ 3D cinema.
□ Cafe.
□ Various other attractions.
□ Turnover £555k.

Diversol Actividades Turisticas, Limitada

Leisure complex owned and operated in Albufeira, Algarve, Portugal.
□ Freehold site.
□ Cabaret and dining venue.
□ Water Park.
□ Complex incorporating restaurants, bars and shops.
□ Land suitable for development.
□ Turnover £2.4m.

Kirkpool Limited

Open-air water park development adjacent to Whitelands Limited, Scarborough.
□ Leasehold site with good location.
□ Heated pool with two 200m water slides.
□ River rapid ride and giant spa bath.
□ Cafe, kiosk and shop.
□ Turnover £373k.

For further information please contact Mrs S. E. Stephen at the address below.

PO Box 810, Friary Court, 65 Crutched Friars, London EC3N 2NP
Tel: 071 936 3000. Fax: 071 480 6881.

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

AVOCET INDUSTRIES PLC
(IN ADMINISTRATIVE RECEIVERSHIP)
T/A
WILLIAM CROSLAND

The Joint Administrative Receivers offer for sale as a going concern, either as a whole or in part, the following business and assets of the above engineering company, which trades from Dukfield, Manchester.
● Leading manufacturer of Crosland hand-fed cutting and creasing plants for European Market.
● William Crosland trade mark established since 1890.
● Service and spares business for 4,000 machines worldwide.
● 40,000 component drawings for full Crosland range.
● Skilled workforce of 15 producing £3.1m turnover for the year ended 31 March 1991.
● Freehold/999 year leasehold premises covering 4,500 square feet.
● Extensive list of machines and spares.

For further details please contact:
Stephen Quinn or Nick Hancock
BDO Binder Hamlyn
Scottish Provident House
52 Brown Street, Manchester M2 2AU
Tel No: 061-831 7121
Fax No: 061-833 0669
DX No: 18567 Manchester 7

BDO BINDER HAMLYN

Chartered Accountants

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Whittlesey Motors Ltd
(In Receivership)

Whittlesey, near Peterborough

● Modern freehold garage premises, approx. 1 acre
● Recently installed forecourt and shop
● Full car and body repair facilities
● Showroom and offices approx. 3,000sq ft

For further details contact the Joint Administrative Receiver:
Michael J Scott, Grant Thornton, 49 Mill Street, Bedford MK40 3LB
Tel: 0234 211621
Fax: 0234 325717

Grant Thornton

The U.K. member firm of Grant Thornton International. Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Interesting Businesses for sale

Our list of profitable acquisition opportunities include:
Small Precision Engineering Co
Multi-disciplined Communication Co with top client list
Hydraulic crane distributor
Chemical etched component Mfg
Military/hazardous area electronics

Melville Associates Limited

10 Charlotte Square, Edinburgh EH2 4DR
Tel: 031-226 7676 Fax: 031-220 0386

CHARTERED ACCOUNTANTS

General sole practice with unique client base for sale. Fee £180k, net profit well above average, still expanding despite recession. Would suit sole practitioner dedicated to providing friendly and professional service or medium-sized practice wishing to increase fee base. Prominent city location on South Coast.
Write Box No: H9502 Financial Times, One Southwark Bridge, London SE1 9HL

HOTELS & LICENSED PREMISES

HOTEL DE LUXE - 60 Keys, Pool, etc.

PALM BEACH FLORIDA USA

Price: £3,750,000.00

Cash: £1,750,000.00

Unique opportunity to acquire a perfect hotel.

Write to Box H8991, Financial Times, One Southwark Bridge, London SE1 9HL

AIRCRAFT FOR SALE

AIRCRAFT SALES

Business Aircraft Sales & Operating Leases

Finance • Management • Leasing • Maintenance • Charter Broking

Fields

Contact Neil Stephens

Tel: 0753 600000

Telex: 08521454555555

Fax: 0753 600000



THE PUMPHOUSE QUEENS DOCK, GLASGOW

A complex of 3 adjoining high quality restaurants overlooking the River Clyde. Close to City Centre.

Adjacent to Scottish Exhibition and Conference Centre. Substantial offers invited for the leasehold property.
Tel: EDINBURGH 031-225 2944

Magus Inns Limited
(In Receivership)

This company owns the following hotels:

- Kirkwall Hotel, Orkney (44 rooms)
- Great Western Hotel, Aberdeen (12 rooms)
- Glenburn Hotel, Currie, Edinburgh (12 rooms)
- Total turnover: c. £1m p.a.
- Attractive locations
- Good occupancy rates
- Good function trade

Available for going concern sale individually or collectively.

For further details contact the Joint Receivers:
D D McGruther or A Griffiths, Grant Thornton, PO Box 151, 112 West George Street, Glasgow, G2 1QF.
Tel: 041-332 7484
Fax: 041-333 0581

Grant Thornton

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Quality Plastics Re-Cycling Company For Sale

◆ One of the largest UK independent plastics re-cycling and film extrusion companies.

- ◆ Rapidly growing.
- ◆ Highly profitable.
- ◆ Strong positive cash flow.
- ◆ Continuity of management.
- ◆ Modern plant.
- ◆ Excellent site.
- ◆ First class customer list.

Further information may be obtained from Alan Baines, Stoy Hayward, Foxhall Lodge, Gregory Boulevard, Nottingham NG7 6LH.
Tel: 0602 626578. Fax: 0602 691043.

STOY HAYWARD

Accountants and Business Advisers. A member of Horwath International. Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Beeches Hotel Rotherham

The Joint Administrative Receivers offer for sale the business and assets of Beeches Hotels and Leisure Limited.

- Purpose built hotel with wide range of conference and leisure facilities
- 171 bedrooms
- Very long leasehold
- Estimated turnover in first year of £2m
- Within 1/2 mile of M1 exit 33 close to a major conurbation

For further details contact Mark Dobell, Ernst & Young, Barclays House, 6 East Parade, Leeds LS1 1HA. Tel: 0532 431221. Fax: 0532 442241.

Or Joint Agents: Adam Lansdown, Robert Barry & Co, 21 Victoria Avenue, Harrogate, North Yorkshire HG1 5RD. Tel: 0423 566362. Fax: 0423 500053.
Ian Naylor, Weatherall Green & Smith, 29 King Street, Leeds LS1 2HP. Tel: 0532 442066. Fax: 0532 457413.

ERNST & YOUNG

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

PLASTICS AND RUBBER MOULDING MACHINERY MANUFACTURER

Our client is seeking offers for its well established capital goods subsidiary, manufacturing machinery for the plastics and rubber moulding industry.

- Market Leader
- Sophisticated Products
- Advanced Materials
- Modern Technology
- Comprehensive Design Facilities

Principals only should apply in writing to:
Peter Carter
Barclays de Zoete Wadd Limited
Phoenix House
1/3 Newhall Street, Birmingham B3 3NH
or by fax: 021 233 3876

FOR SALE

Offers invited for small group of 4 retail sports shops in prime precinct locations in S. Home Counties. T/O £1.2m, gross profit 41%.

Write Box No: H9507 Financial Times, One Southwark Bridge, London SE1 9HL

Engineering Co.

Special purpose machinery manufacturers & textile engineers. East Midlands T/O £250K. Excellent client base. Sale for retirement reason.
Write Box H8996, Financial Times, One Southwark Bridge, London SE1 9HL

MENSWEAR RETAILER NORTH WEST

Top quality continental clothing. Owner returning abroad, hence realistic price.
Write to Box H8974, Financial Times, One Southwark Bridge, London SE1 9HL

PETROL FILLING STATION AND DEVELOPMENT SITE NOTTINGHAMSHIRE

8,000 GFW. No tax. Office, Warehouse, Showroom, Forecourt (30 cars). Large Workshop. Planning consent for Shop and Carwash Development consent for 3 houses. Write to Box: H9504 Financial Times, One Southwark Bridge, London SE1 9HL

Old established printing business in Home Counties for sale with turnover of about £200,000. Floor area 2,000 sq.ft., useful plant. Overseas retaining. Write Box No: H9504 Financial Times, One Southwark Bridge, London SE1 9HL

Shaw's County Bakeshop Enterprises Limited
(In Administration)

The Administrator offers for sale on a going concern basis the business and assets of the above company.

- Established in 1977
- Manufacturer and retailer of a variety of bakery produce
- 30,000 sq ft. freehold factory and 24 retail outlets (freehold and leasehold), in Merseyside
- Annual turnover approximately £4m
- Skilled workforce
- Approximately 170 employees

For further details please contact the Administrator: E.W. Taylor, Ernst & Young, Silhouette Court, Tithebarn Street, Liverpool L2 2LE.
Telephone: 051-236 8214. Fax: 051-236 0298.

ERNST & YOUNG

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

BUSINESSES FOR SALE

Decorative Lighting Products

N.J. Hamilton and W.S. Martin, the Joint Administrative Receivers of Inlite Group Limited and various subsidiary companies, offer for sale the businesses and assets of the following:

Inlite U.K. Limited
Base and Shade Co. Ltd
Inlite (Banbury) Limited
■ Turnover £5.9m p.a.
■ Location - Blackwood, Cwent
■ Trading Names: Herald Lighting, Maclamp, Studio 17, Scan Lighting, Alma Lighting

B.R.P. Lighting Limited
■ Turnover £1.7m p.a.
■ Location - Greater Manchester
■ Patented products

Sublime Lighting Limited
■ Turnover £2.2m p.a.
■ Location - Doncaster
■ Branded products

All companies are engaged in the manufacture and distribution of decorative lighting products to a wide range of customers. For further information on the above please contact any of the following:

Jack Lewis or Vaughan Jones, Ernst & Young, Pendragon House, Fitzalan Court, Fitzalan Road, Cardiff CF2 1TF. Telephone: 0222 484641. Facsimile: 0222 390565.
Scott Martin, Ernst & Young, Lowry House, 17 Marble Street, Manchester M2 3AW. Telephone: 061-953 9000. Facsimile: 061-834 7177.
William Tacon, Ernst & Young, PO Box 3, Lowgate House, Lowgate, Hull HU1 1JL. Telephone: 0482 25531. Facsimile: 0482 20284.

ERNST & YOUNG

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Metal Fabricators Manchester

The Joint Administrative Receivers offer for sale, as a going concern, the business and assets of Green Brothers (Fabrications) Limited. Principal features include:

- Precision fabricators in all metals for use in truck and railway bodies
- Annual turnover in excess of £3 million
- Operating from freehold and leased premises in the centre of Manchester
- 58 employees
- Blue chip customer base
- Order book in excess of £350,000

For further details please contact John Warren, Scott Martin or Manu Mistry, Ernst & Young, Lowry House, Manchester M2 3AW. Telephone: 061-953 9000. Fax: 061-834 7177.

ERNST & YOUNG

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L.J. Steel (Jewellers) Limited (In Administrative Receivership)

Long established jewellery and gift shop occupying a prime location in the centre of Bowness in Windermere, Cumbria.

- Freehold property, approximately 2,000 sq ft
- Turnover £375,000 p.a.
- Stock in excess of £100,000
- Recently opened first floor cafe for up to 40 covers
- Sideline business retailing hearing aids and providing after sales professional advice and repairs

All enquiries to R.M. Griffiths, Joint Administrative Receiver, Ernst & Young, Central Exchange Buildings, 93A Grey Street, Newcastle upon Tyne NE1 6EJ. Telephone: (091) 221 2222. Fax: (091) 261 2916.

ERNST & YOUNG

Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

BROADCLOUGH FINISHING COMPANY LIMITED (IN ADMINISTRATIVE RECEIVERSHIP)

The Joint Administrative Receivers offer for sale on a going concern basis the business and assets of a significant textile dyeing and finishing contractor located in Bacup, Lancashire.

- Well established reputation.
- Large customer base with significant repeat business.
- Substantial premises approx. 50,000 sq. ft.
- Turnover approx. £1.8m per annum.

For further information, please contact: J.J. Gleave or G. Houghton at: Arthur Andersen & Co, Bank House, 9 Charlotte Street, Manchester M1 4EU. Tel: 061 200 0297. Fax: 061 200 0343.

ARTHUR ANDERSEN

Contract Swimwear Design & Manufacture

The Joint Administrative Receivers, W.J.H. Elles and W.S. Martin of Trilo By Design Limited offer for sale its business and assets.

- Principal features include:
- Leasehold premises, 14,800 sq ft in Poole, Dorset
 - Leasehold unit in Market Harborough suitable for CMT work
 - Strong UK customer base
 - Turnover in 1990 around £3 million - 30% export sales

For further information please contact Jason Elles at Ernst & Young, Wessex House, 79 Threefield Lane, Southampton SO1 1TW. Telephone: 0703 230230. Fax: 0703 227409.

ERNST & YOUNG

Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

Smith & Williamson

Corporate Recovery • Litigation Support • Corporate Finance • Taxation • Banking Investigations • Investment Management • Pensions & Life Assurance • Accounting • Auditing

CAPITAL LANDFILL RESTORATION LIMITED

The Joint Administrative Receivers offer for sale the above company's interest in an option to acquire a slate quarry in North Wales.

Closing date for offers 26th July 1991. For details, contact Peter Veldron or Kieran Day on 071-637 5377 at the offices of Smith & Williamson, No. 1 Riding House Street, London W1A 3AS. Fax: 071-323 5683.

Smith & Williamson, Chartered Accountants, Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Smith & Williamson Securities, Authorised institution under Banking Act 1987. Member of DMRG Member of the British Merchant Banking and Securities House Association.

FOR POSSIBLE SALE

Well managed unquoted PLC marketing complete computer systems based around exclusive market leading software for specialised recession proof buyers. Very conservative fully supported projection indicates incomes 1991-1996 IRO £2M with net over £3M. Excellent staff can remain. MD (majority shareholder) is considering retirement thus ready to discuss disposal on flexible basis.

Phone Mr. J.M.B. on 081-940 0633 office/071-702 2876 evenings/weekends.

HEALTH CLUB FOR SALE CLOSE TO CHELSEA

8,000 sq. ft. Fully equipped gymnasium with 700 members. Vendor would consider joint venture, price on application. Write Box H8985, Financial Times, One Southwark Bridge, London SE1 9HL.

BUILDERS MERCHANTS

Somerset/Avon - purpose built modern freehold premises 2 1/2 acres, turnover £2 1/2 m. p.a. plus further 2 depots £1 1/4 m. p.a. Quick sale required. Write to Box H8998, Financial Times, One Southwark Bridge, London SE1 9HL.

Injection Moulding Company

Scots Mergers High Quality Injection Moulding Company with Auxiliary Printing and Assembly Facilities. Servicing Good Quality Trade Customers. Banking Even on the Turnover of £1.5m. Scots Mergers with Company of similar firm. Quick Sale Would be Considered. Principals only: write Box H9006, Financial Times, One Southwark Bridge, London SE1 9HL, or by fax on 071-436 0208.

Smithdown Group Ltd (and certain subsidiaries)

(In Receivership) Hale, Cheshire

- Strategic consultancy, design and contracting companies
- Freehold and investment properties
- Annual turnover approx. £15m
- Blue chip client base
- Highly professional, motivated management team

For further details contact the Joint Administrative Receivers: Malcolm Shiersen or Allan Griffiths, Grant Thornton, Heron House, Albert Square, Manchester M2 5HD. Tel: 061 834 6414. Fax: 061 832 6042.

Grant Thornton

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TEMPBRIDGE HOLDINGS LIMITED (In Administrative Receivership)

The Joint Administrative Receivers, Hedley Brunt and Rod Withinslaw, offer for sale as a going concern the business of the above Company and its three subsidiaries. The Companies specialise in the servicing, refurbishment and rental of construction equipment and specifically large earth moving dump trucks of 15 to 50 tons.

- Freehold yard of 1.8 acres near Leamington Spa, with storage premises, convenient to M40.
- Leasing fleet of 22 vehicles
- Turnover 1990 - £2.2 million
- Blue Chip customer base

For further information, please contact Hedley Brunt at

Kidsons Impey Bank House, 8 Cherry Street, BIRMINGHAM B2 5AD. Tel 021 - 631 2631. Fax 021 - 236 2856.

KIDSONS IMPEY

Opportunity to Acquire the Business and Assets of

Pausehurst Limited trading as Pausehurst Vehicle Components

- Principal features include:
- Turnover in the financial year ended 31 March 1991 approximately £4.3m
 - Leasehold and rented premises, Swaffham, Norfolk totalling 3000 sq ft approx
 - £150K approx component parts stock for major European car manufacturers
 - Workforce of 7

For further particulars, contact Jonathan Sisson and Mark Poles, Joint Administrative Receivers, Cork Gully, The Atrium, St Georges Street, Norwich, NR3 1AG. Tel: (0603) 619425 fax: (0603) 631060.

Cork Gully is authorised in the name of Coopers & Lybrand.

Delisted by the Institute of Chartered Accountants in England and Wales to carry on investment business.

ICork Gully

FULLY LISTED PUBLIC COMPANY

Part or Full control available owing to retirement of Chairman. Market Cap. £5.5 million. Famous name consumer products and other subsidiaries.

Write to Box H9503, Financial Times, One Southwark Bridge, London SE1 9HL.

Retirement sale of profitable engineering business based in Sussex manufacturing precision electro-mechanical products that sell into UK and international niche markets. Sales over next twelve months should exceed £1 million (70% overseas) with forecast PBT of £120K-£150K. Would particularly suit company with existing overseas sales network that could realise international market potential for the products and thus increase sales and profitability since GP exceeds 50%.

Principals only please, write Box H9000, Financial Times, One Southwark Bridge, London SE1 9HL.

FOR SALE

Freehold quarry located near Manchester Limestone Reserves in excess of 3 million tons with waste disposal permission. Modern plant. Currently operational. Write box H8957 Financial Times, One Southwark Bridge, London SE1 9HL.

FOR SALE

Manchester based Beers, Wines, Spirits and Soft Drinks Wholesaler. Current Turnover £2M Plus Delivery Service & Cash and Carry. Serious Enquiries Only. Apply Box No: H8994 Financial Times, One Southwark Bridge, London SE1 9HL.

Toby Wallis Television Limited (In Administrative Receivership)

The Joint Administrative Receivers offer the business and assets for sale as a going concern.

- Established video editing, graphics and post production facilities
- £450,000 turnover
- Clients in the corporate, broadcasting and commercial sectors
- Leasehold offices in London W1

For further information please contact the Joint Administrative Receivers:

Nigel Ruddock

ROBSON RHODES

The Galleria, Station Road, Crawley West Sussex RH10 1TY. Telephone: 071-865 2556 Fax: 0293 621737. Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

MANUFACTURER OF MECHANICAL HANDLING SYSTEMS

Our client is seeking offers for its well respected design and build subsidiary supplying sophisticated mechanical handling systems to a blue chip customer base with an innovative design team.

Principals only should apply in writing to: Charles Carter, Barclays de Zotte World Limited, Phoenix, Broomfield, 1/3 Newhall Street, Birmingham B3 3NH or by Fax: 021 233 3876.

COMPUTER SYSTEMS AND SERVICES GROUP

A successful Computer Services Group is seeking to dispose of all or parts of its business to an organisation capable of expanding the present range of activities into the European Market.

The Group has a range of software products well established in specific vertical markets and its customer base includes many prestige organisations. Software support contracts provide significant ongoing revenues whilst recent orders for newly developed products will ensure further growth during the next year.

The group has a history of several years of profitable growth and the Directors, who are keen to remain with the business, wish to ensure that the full potential of the product range is exploited.

Interested parties, principals only, should write in strictest confidence to: Box H8993, Financial Times, One Southwark Bridge, London SE1 9HL.

ELECTRONIC COMPONENT DISTRIBUTION GROUP FOR SALE

Owns selling electronic components with combined total turnover of around £4 m. Based in South East, both Companies are trading profitably with excellent Agency/Principal and wide customer base. Write to Box H8962, Financial Times, One Southwark Bridge, London SE1 9HL.

HEALTH CLINIC

Recently established & well equipped private health clinic with considerable potential. East Midlands FOR SALE. Owner looking to continue with some equity involvement. CONTACT: Jotiel Ltd, 10 Chimes Meadow, Southwell, Nottingham, Phone 0636-815265. Fax: 0636-815828.

FOR SALE PROFITABLE MANUFACTURING BUSINESS (ELECTRICAL ENGINEERING)

- Turnover £5.0 million p.a.
- Solid profit record
- Strong cash flow
- Well established
- Based in Yorkshire
- Freehold premises
- Blue chip customer base
- Sound management
- Skilled workforce

Write to Box H8954, Financial Times, One Southwark Bridge, London SE1 9HL.

RESTAURANT GROUP FOR SALE

12 RESTAURANTS
TURNOVER £6.4 MILLION (1990)

SPECIALISING IN PIZZA AND PASTA
2 KEY EXECUTIVES AVAILABLE
ON CONTRACTS IF REQUIRED

1 SITE UNDEVELOPED
OPERATING PROFIT C.£1.5M.

Write Box H 9520, Financial Times, One Southwark Bridge, London SE1 9HL.

NORTH CORNWALL Recently Completed Holiday Complex

- Suitable for Hotel/Timeshare use
- 37 One-Three Bedroom Units
- Extensive Leisure Centre
- Freehold
- Approximately 30 acre site

FOR SALE

All enquiries in writing to: DWJ Advertising Ltd (Ref M174) 104-110 Great Road, London EC1V 7DH

LEADING CONSERVATORY COMPANY

with an established nationwide reputation for quality. Glass and joinery manufacturer. Sales £3M. Order book £600K. The profitable business for sale. For further information please write to:

Baker Tilly, Chartered Accountants (Ref CJL) 2 Bloomsbury St., London WC1B 3ST.

MAGAZINE FOR SALE

Market leader. Business to Business magazine with strong recruitment section.

Write Box H8518, Financial Times, One Southwark Bridge, London SE1 9HL.

CHANDLERY

Well established. Sales over £1 million. Prime Retail Location. South Coast. Genuine Reason for Sale.

Write Box No: H8992 Financial Times, One Southwark Bridge, London SE1 9HL.

MOTOR DEALERSHIP

A prestige European Franchise may be available shortly in South Wales.

Principals only. Please write Box H9522, Financial Times, One Southwark Bridge, London SE1 9HL.

BUSINESSES FOR SALE

Hughes Food Group Plc

In Receivership

This Group comprises a number of highly successful and profitable companies and this is an exciting opportunity to acquire or to expand existing interests in the food supply and food services sector. The companies for sale are not the subject of insolvency proceedings and are trading normally at the present time.

S & A Foods (Midland) Limited

Derby, Midlands

Hughes Food Group plc owns 75% of the issued share capital of this manufacturer and supplier of chilled ethnic convenience meals.

- Projected 1991/92 sales £6 million.
- Projected 1991/92 trading profit of £1.4 million.
- Supplier to major food retailers.
- Developing own branded products.
- Freehold land and buildings with a modern factory and offices of approximately 10,000 square feet.
- Plant and equipment include dedicated processing lines specific to current and forecast production.
- 85 employees.
- Significant growth experienced by this company operating in a fast growing sector of this niche market.

Idwal Fisher Limited

Bradford

A leading manufacturer and supplier in the domestic market of par fried potato chips and jacket potatoes.

- Projected 1991/92 sales of £9 million.
- A well established brand name ("Kingfisher")
- Supplier to wide variety of customers, including highest quality caterers.
- Projected trading profits of 1991/92 of £1 million.
- Leasehold office accommodation and factory.
- Plant and equipment currently capable of 40,000 10 kilogram boxes of chips per week.
- Opportunities to expand into other potato products.

Polar Distribution Services Limited

Hull, North Humberside

Operator of six cold stores situated throughout Humberside, Scotland and Northern Ireland, this company also includes a frozen food distribution service in Glasgow and a fish processing factory in Scotland.

- Projected 1991/92 sales of £5 million
- Substantial freehold and leasehold property interests.
- Plant and equipment includes cold stores, refrigerated vehicles and specialised fish processing and packaging equipment.

Peterhead Marine Electrics Limited

Peterhead, Aberdeenshire

Supplier of marine electrical services.

- Projected 1991/92 sales of £0.1 million
- Leasehold premises with a current rental of £2K per annum.

Halas Pharmaceuticals Limited

Wetherby, North Yorkshire

Manufacturer and contract packer of pharmaceutical and veterinary products

- A licensed site under The Medicines Act
- Sales to hospitals and health authorities
- Leasehold factory in Wetherby, North Yorkshire with a current annual rent of £20,000.

Peterhead Ice Company Limited

Peterhead, Aberdeenshire

This is the sole manufacturer of tube ice for sale to fishing vessels in the area.

- Projected 1991/92 sales of £0.8 million.
- Projected 1991/92 trading profit of £0.3 million.
- Short term leasehold over the pier at Seagate, Peterhead.
- Plant and equipment including ice-making machinery.

Laurel Farm Chilled Foods Limited

Goole, North Humberside

Wholesaler and distributor of a wide variety of chilled and frozen foods, located at Goole with further depots at Doncaster, Rochdale and Goole.

- Projected 1991/92 sales of £5.3 million to a number of key retailing customers.
- A number of key third party distribution contracts.
- A number of exclusive agency agreements.
- Leasehold offices of 4,300 square feet and storage and distribution facilities of 900,000 square feet.
- Plant and equipment including a cold store, a chill store, forklifts and expander trolleys.

Eurocon Packaging Limited

Hull, North Humberside

Collapsible tube manufacturers, contract packers and manufacturers of tubular products.

- Projected 1991/92 sales of £4 million including significant export sales.
- Freehold land comprising 1 1/2 acres in Hull, North Humberside.
- Leasehold buildings comprising of factory and office accommodation of 30,000 square feet.
- Equipment includes extensive production lines and filling and mixing equipment.

Coopers
& Lybrand
Deloitte

For further information about the companies assets and businesses being advertised, please write to:
D J Waterhouse Esq, Coopers and Lybrand Deloitte, Chartered Accountants, 5 Albion Place, LEEDS, LS1 6JP quoting reference DJW/SCM/CHC314 Fax: (0532) 434567 Tel: (0532) 431343
(If telephoning please ask for the Hughes Food Information Desk) Enquirers will be asked to specify the business(es) about which they wish to receive particulars.

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Licences to run telecommunication systems granted under Section 7 of the Telecommunications Act 1984 to Mercury Personal Communications Network Limited, Microtel Communications Limited, and United Limited.

- In pursuance of section 10(7) of the Telecommunications Act 1984 ("the Act"), the Secretary of State hereby gives notice:
 - that he has duly reconsidered the proposals in respect of which he published a notice on 13 May in pursuance of sections 8(5) and 10(5) of the Act, regarding his intention to grant telecommunication licences under section 7 of the Act to each of Mercury Personal Communications Network Limited, Microtel Communications Limited, and United Limited ("the Licensees") to run telecommunication systems within the United Kingdom and to apply the telecommunications code contained in Schedule 2 to the Act (except paragraphs 9, 10 and 12 of the code) to each of the Licensees (subject to the exceptions and conditions the effect of which was set out in that notice) in the light of the representations and objections made to him in respect of those proposals; and
 - that he has granted such a licence to each of the Licensees each being a licence which includes conditions such that section 8 of the Act applies to it; and
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- Copies of the licence may be obtained from the Office of Telecommunications, Export House, 50 Ludgate Hill, London EC4M 7LJ, price £5.00 including postage and packing.

N.C. DAVISON Department of Trade and Industry

ARTS

Perfect prints, purchased for pennies

William Packer on the collection of Ambroise Vollard, and a fine selection of watercolours

With works of art the sum is not necessarily greater than the parts, yet any coherent group or collection, of whatever kind, is always worth a second look. Late as it is, it is still not too late to catch sight in London of two rather special examples.

Ambroise Vollard (1867-1939) was a Parisian picture-dealer who was also a pioneer in publishing and dealing in fine art prints. He looked in particular to artists who were either not yet established as print-makers, or had yet to think of themselves as such, for the work he commissioned. His first folio appeared in Paris in 1895, and Agnew's 43 Old Bond Street (W1) until Friday has brought together most of what appeared under his name before 1914.

In an age when the artist's print is both a commonplace and a notorious money-spinner, it is salutary to look back to a time when the work of the greatest artists of the day was readily accessible to the most modest of collectors. Good luck to the artists and dealers who can command the prices, but the principle of the cheap signed and editioned image is gone for ever. We have only to look at the figures to bore to the inevitable. Take a name of the moment, a characteristic image in an edition of 100 or more, an asking price well into four figures, and goodness, how the pounds mount up.

In the 1890s, the prints of Forain, Daubigny, Lautrec and others were to be picked up for pennies, and the Japanese wood-cuts that had so profound an influence on the fin-de-siècle avant-garde were still flooding into Europe as barely more than wrapping paper.

Vollard's first major essay as publisher, the *Album des Peintres-Graveurs*, appeared in the summer of 1895 in an edition of 100 at the price of £100. It held a print by each of 22 artists, including Bonnard, Denis, Fautou, Lachour, Munch, Redon, Renoir, Vuillard. The following year the list was extended to 32 images from 31 artists, for Bonnard had also designed the cover. A third album was planned for 1898 but never appeared. Instead Vollard had already begun to commission suites of prints from individual artists, set on certain themes, and these began to appear before the turn of the century.

Redon came first in 1896 with his third series of lithographs after Flaubert's *Temptation of St Anthony*, 24 in all. Then in 1898 came *Amour*, an album of 12 prints by Maurice Denis, followed the next year by Bonnard's *Quelques Aspects de la Vie de Paris* and Vuillard's *Peintres et Intérieurs*.

Roussel's *Paysages* (1900) never got beyond seven of the projected 12 prints, and there was then an interval. Vollard by then had grown interested in the idea of the artist's book and had already asked Bonnard to illustrate Verlaine's notorious *Parallèlement* (1900). But he would return eventually to the portfolio. In 1913, having lately acquired the plates of 14 of the symbolist etchings and dry-points that Picasso had made around 1905, of the clown and his family, he republished them as an album titled *Les Saltimbanques*.

Agnew's is showing all these sets complete and the greater part of the remainder. All are in such remarkably fine condition that even the most familiar of the images - Lautrec's poney and trap setting out for the country, perhaps, or Bonnard's black-coated laundry-woman, with her little dog and heavy gamp - seem again new, fresh and stimulating. The opportunity to see so much together again that was indeed always intended to be enjoyed *ensemble* if not *en série*, is not one to miss.



Cover of the Amour album, by Maurice Denis, published by Vollard

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Train Landscape, 1940, by Eric Ravilious, from the Brush to Paper exhibition

Brush to Paper, the selection of British watercolours from the collections of the Aberdeen Art Gallery now on show at the Bankside Gallery (48 Hopton Street SE1) until Sunday, sponsored by Texaco) cannot boast quite such particularity, yet it too is mutually sustaining and coherent through the several sections by which it is arranged. It embraces the work of some 250 years, from Sandby and Rowlandson to Bellamy and evinces a natural though by no means excessive Scottish bias.

Rather than the conventional chronology, it chooses to offer a number of categories by which the works may be linked in general sympathy across the centuries - Ship & the Sea; The Daily Round; Childhood; Stern & Wild; The Artist on Tour and so forth. None of these need be taken too seriously, but the cross-references

thus encouraged is often as intriguing as it is amusing - Rowlandson's deliciously raffish Coffee House of the 1790s, for example, seen against the two women of Jim Lovelock, gossiping away in a cafe in the 1950s.

There are any number of beautiful things, and not all of them by the most obvious names. I had not come across George Wilson, a Victorian painter, yet his *On the Banks of a Distant Hill* seems across an expanse of water-meadow, sits happily here with anything of Cox or Cozens, even Turner.

There are of course excellent examples of the more familiar and expected names. At random: Girtin, Clausen, Nash, Ravilious, Bonington, Stanfield, Gillie, Cowie, Blackadder, Piper, Sargent, Melville, Eardley, both Johns, and I mention in particular Norman Adams' rough abstracted sea-

scape, Dyce's study for *Pegwell Bay*, and Pinwell's poignant pre-Raphaelite *The Princess and the Pea*. The *Princess and the Pea* is a Victorian painting, yet his *On the Banks of a Distant Hill* seems across an expanse of water-meadow, sits happily here with anything of Cox or Cozens, even Turner.

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Some Days

ALBERT HALL & RADIO 3

The music of Mark-Anthony Turnage and the Proms seem made for each other. Last year the large-orchestral work *Three Screaming Popes* had warmly enthusiastic welcome; on Sunday the same happened for the new set of songs, *Some Days*, of which the mezzo-soprano Cynthia Clarey and the Royal Opera House Orchestra under Bernard Haitink gave the first performance (as part of the John S. Cohen Foundation series of concert commissions for the ROH orchestra).

This underlines two particular virtues in the young composer's idiom, both happily linked: the large, immediate appeal of his harmonic language, tinted by the blues, popular song and Mahler; Stravinsky and Tippett in equal measure, and the tacitly disciplined feeling for mood and atmosphere. Turnage, though he came to public attention as the roaring-boy creator of the "scandalous" opera *Orcus*, has in reality always shown rare fastidiousness in his control of notes and colouristic details. This cycle - four short, ruefully tender blues-poems enclosing a central orchestral "Tango" (which equally seems to be a cod fox-trot) - has that, and a new emotional maturity and restraint as well.

The chosen poets are black Americans and Africans (the South African Bloke Modisane among the latter); the chosen themes are urban disaffection, and love as its antidote - though, since the final song is the part-hummed, part-sung blues on a string line, "Now I am absolutely alone, forever", the composer suggests that its curative success is unlikely. The word-settings are suggestively rather than lavishly lyrical; a small orchestra shows itself as ready to sigh and fall silent as to other its trenchantly placed comments - wry, keening pairs and trios of bassoons (first song) and clarinets (second) add their voices apart, before coming together in the fifth.

This seems to me a masterly work, full of sounds one immediately wants to hear and relish all over again, approachable in its range of references and influences but utterly new in its ways of responding to them. It was sung with ideally smoky, sharp-sweet tone and inflections by the marvellous Miss Clarey (Glyndebourne's memorable Gershwin Serena and Monteverdi Octavia), and strongly delivered by Haitink and his orchestra. As the centrepiece in this concert of 20th-century English music - between Britten's *Four Sea Interludes* and a magnificently clear-eyed, long-lined, muscular account of the Elgar *A flat Symphony* - *Some Days* fitted very well indeed.

Max Loppert

Morrissey

JONES BEACH, NEW YORK

It could have been any rock crowd, but the flowers were a giveaway. Thousands of New Yorkers had flocked to a beach-side stadium on Long Island to pay homage to Morrissey, former front man for The Smiths and the master of Manchester melancholy, who has now brought his tour to the UK.

It was a surprise so many turned out to see a singer/songwriter who has never had a hit in the US, and who is notable on American MTV only for his absence. Yet, in a crowd, predominantly white and young, were genuine enthusiasts. Morrissey received a Messiah's welcome when he took the stage. Showered with flowers from the outset, he was mobbed by stage invasions throughout a short but energetic set. Fans repeatedly broke through the bouncers' defenses to embrace their hero with bear hugs. "Morrissey is Life" said one banner, but he was in peril of having it squeezed out of him.

Such was the mêlée at the front, it was difficult at times to concentrate on the music. The band was not well served by a sound mix as muddy as the waters that lapped the sides of the auditorium, and

speakers that were curiously underpowered.

While sound quality was lacking, there was no shortage of energy and commitment on stage. Morrissey's refusal to play any Smiths hits disappointed the crowd, but it was a brave move. Some of the songs from the new album were lost in the poor acoustics, but there was plenty of punch in his delivery, especially on a venomous reading of The Jam's "That's Entertainment".

It was easy to enjoy his older work, and the *Mezzanine* album featured heavily. From the opening Cure-like riff of "Interesting Drug", to "The Last of the Famous International Playboys" (performed with the necessary lack of modesty) Morrissey kept up a brisk pace, backed by three guitarists and a drummer who looked like they had just been plucked from a Moss-side garage band circa 1977.

Flinging limbs, jangling guitars and flowers. Shut your eyes and it could have been early-Eighties Manchester. Only the sound of the Atlantic shore, the salty breeze and a car park full of convertibles gave the game away.

Patrick Harverson

Second Stride reprieve

The dance company Second Stride has been awarded a grant of £55,000 from the Arts Council to save it from threatened closure. The money comes from the New Collaborations fund,

which was launched by the Arts Council to promote multi-disciplinary work. The grant ensures that the Second Stride company can continue in work until at least March 1992.

Jazz in Lugano

The third *Lugano Blues to Pop Festival* will be held over the weekend of August 30, 31 and September 1. Concerts and recitals will be held in the open-air throughout the three days of the festival and all will be free.

Details can be obtained from the Lugano Tourist Office, Riva Albertelli 3, CH-6901 Lugano, Switzerland. (tel: 091 214664, telex 844032, fax 091 227658).

Garry Booth

Montreux Jazz Festival

When Miles Davis was approached to play at the 25th Montreux Jazz Festival, he was offered a red Ferrari by Claude Nobs, the event's sophisticated and diminutive founder. For his trouble, silky smooth vocalist Al Jarreau took a Blancpain timepiece, which like him in his Elisee castle, always possesses an elegance raffinée.

Nobs' Montreux, which closed at the weekend, is that kind of festival. There are very few sleeping bags lying around. It happens over three weeks in a Casino beside Lake Geneva and an abatement for the entire event this year cost \$191 (\$193.50). That got into all 50 concerts, the gala party and backstage. But what riches the programme contained. Le P'tit Nobs, abetted by Quincy Jones, multi-media entrepreneur and artist, assembled an especially upmarket line-up for the anniversary bash: Sting, Miles, George Benson, Herbie Hancock, Ray Charles and even the Reverend Jesse Jackson, who was booked for Sunday's spiritual and gospel summit, among many.

It ran on a budget of \$10m, employed a thousand musicians and was filmed in its entirety on HDTV (high definition television) to be syndicated to TV stations around the world. This means the festival was heavily weighted towards the sales of the slick end of the jazz spectrum - even without Anita Baker and Barry White, who both failed to show.

Take the "Surprise Night", which had been comprehensively previewed around the Casino and in the local press. It had the Montreux mix: straight-ahead bebop, new soul, blues and reggae. Tenorist Clifford Jordan and his Orchestra got dug in immediately with The Common, a composition from Dizzy Reece, the orchestra's laconic trumpet soloist and Jordan's version of Leadbelly's "The Highest Mountain".

With the "surprise" entrance of singer Chaka Khan we began to move along the spectrum. Her tiny hut pneumatic figure, topped with a violent mauve tchatch which is beginning to get the better of her, has the appearance of an animated gunk. Her two ballads by material which was drawn mostly from his new soul jazz album "Dream Come True". Paul Jackson on guitar and Bobby Lyle on his feet at piano and keyboards soloed furiously, propelled by a dense rhythm section, through dance-oriented numbers like "Sassy" and "I want Jesus to walk with me".

After an hour or so of sophisticated soul the cursor moved again, this time towards Las Vegas, with the arrival on stage of Ray Charles. Led on by a minder in black d.j., as is customary, Charles is the consummate festival performer. In emboldened red velvet smoking jacket, sil-



Ray Charles: the consummate festival performer

very hair and dark glasses, he looks splendid.

When he sings his rasping, semi-coherent blues he melts hearts. "Georgia" aside, you can generally bank on him to produce a different and unusual repertoire each time too. This night the huge shoulders were shrugged to "Sunshine Day", "Making Whooie" and "What the Heart" before "I... for the first time ever".

George Benson came to stand beside the piano. Benson, going back to his roots, rang out a formidable blues groove based on Horace Silver's "Doodlin'" before Charles was pulled unceremoniously from the stage by his minder,

who clearly had reservations about Chaka Khan, who had slipped in beside them, cuddling his master.

Now more of Quincy's friends filled the stage: Jolly funk man George Duke, the explosively scuffling Rachelle Ferrell and finally Al Jarreau. Nobs had thoughtfully provided a giant screen beside the stage so you could see what the HDTV was getting. Satisfyingly, this included a great deal of Ferrell and her extraordinary gurning. The almost super-sonic scuffling is aimed at the gallery and can be wearying in too large doses but the rubbery contortions needed to emit such frequencies are great value.

After an hour or so of stage moving "the surprise night" was drawn in by Jimmy Cliff, "the shepherd of reggae music", and a knees-up which closed as the sun came up.

Other nights were equally surprising and almost bursting at the expense seams. The following night was billed as a "jazz gala with Q and friends". It featured the extravagant if sometimes overblown sight and sound of the Count Basie Orchestra accompanying over a dozen singers - from the elderly French smoothie Henri Salvador in his white tuxedo and blue blazer, through Leon Thomas and his yodeling scat, to rappers Kool Moe Dee and Melle Mel.

Held together by the voices of Jon Hendricks, it was helped in its incongruity by the presence of Toots Thielemans, the Belgian harmonica player and whistler who bears a passing resemblance to Douglas Hurl, shoulder to shoulder with a grinning and bare-chested Grandmaster Flash. All this coming after drummer Grady Tate's intoned "Windmills of your mind" left the head spinning.

Q has a lot of friends and most of them were there at Montreux at one time or another during the month.

Miles, incidentally, turned down the

Ferrari in exchange for performing

the old stuff - Gil Evans arrange-

ments from Sketches of Spain, for

instance. He told Q he was asking for

a lot of notes and wanted a lot of

notes in return. He would have the

car next year.

INTERNATIONAL ARTS GUIDE TODAY'S EVENTS

BUDAPEST

This week's events include a concert tomorrow at the Maffei Court, Színház u. 1-3, by the Hungarian State Symphony Orchestra conducted by György Gyorvanyi Rath. On Sat at the Convention Centre, Jagello ut 1-3, András Delfs conducts a concert by the Swiss Youth Symphony Orchestra. Also on Sat, the Hungarian State Chorus gives a concert at the Matthias Church, Szentharomsag tér. Every Tues, Thurs and Sat at 20.30 throughout the summer, there is a concert of operetta favourites at the Pest Concert Hall, Vigadó tér 2 (117 5067).

HAMBURG

Deutsches Schauspielhaus 20.00 Award-winning Broadway production of the musical 42nd Street, daily except Mon till September 8. Matinee and evening performances on Sat and Sun (248713).

LONDON

DANCE Coliseum 19.30 Second week of

London season of Spain's National Ballet Company. The programme consists of two flamenco displays, including Alberto Lorca's *Ritmos*, and two ballets by José Grenerio, *Medea* and *Alborado del Griego*. The season ends on Sat (071-836 3161).

MUSIC Royal Albert Hall 19.00 Luciano Berio conducts the BBC Singers and Symphony Orchestra in two of his own works: *Core of soul* and *Concerto II "Echoing Curves"*, with Andrea Lucchesini piano soloist. At 10.00, John Paynter conducts a programme of wind music with the Northwestern University Symphonic Wind Ensemble. Tomorrow: Andrew Litton conducts Garshwin and Bernstein. Thurs: Bernhard Klau conducts Bruckner's Ninth. The Proms season continues till Sep 14 (071-823 9958).

Coven Garden 19.30 John Barker conducts Michael Hampa's production of *La Cenerentola*, with Anne Sofia von Otter as Angelina. Raul Gimenez as Don Ramiro and Claudio Desderi as Don Magnifico. Tomorrow and Fri: *Attila*. Thurs and Sat: *La tanculla dal West*. This is the final week of the Royal Opera season (071-240 1066).

Royal Festival Hall 19.30 Ivan the Terrible: a screening with English sub-titles of epic scenes from parts one and two of the classic Eisenstein film. Prokofiev's music is performed live by the Royal Philharmonic Orchestra conducted by Yuri Temirkanov, with Christine Cairns, Willard White and the Brighton Festival Chorus. Tomorrow and Thurs: Alexander Nevely (071-928 8800).

Queen Elizabeth Hall 19.45 Robert Tear, tenor, and David Syre, piano, join the Endellion Quartet

for a programme including Barber's *Ovar Beach* and Schubert's *Schwanengesang*. Tomorrow: the Endellion are joined by Emma Johnson, clarinet (071-928 8800).

Barbican 19.45 Mal Torma joins Cleo Laine, John Dankworth and the London Symphony Orchestra for an evening of Summer Pops. Thurs: Ian Watson conducts the London Sinfonietta in a concert marking the 25th anniversary of the death of Vivaldi (071-638 8891).

THEATRE National Theatre Mollère's *The Mear*, directed by Stevan Pimiot in a new English translation by Jeremy Sans, is starring the Olivier tonight and tomorrow. On Thurs, Fri and Sat, Josette Simon is the proud heroine in a glittering production by Philip Prowse of *The White Devil*. John Webster's tale of Jacobean corruption. Tonight, tomorrow and Thurs, the Lyttelton has Eugene O'Neill's family drama *Long Day's Journey Into Night* (1941), with a cast including Prunella Scales and Timothy West. On Fri and Sat, the Lyttelton has Ian McKellan's award-winning performance in *Richard III*. Throughout the week, the Cottesloe is showing Keith Dewhurst's *Black Snow*, directed by William Gaskill. The play is based on Bulgakov's satirical novel about the Moscow theatre in the 1920s.

For information about other shows, phone Theatreline from anywhere in the UK: Plays 0836 430953, Musicals 0836 430960, Comedies 0836 430981, Thrillers 0836 430982.

MUNICH

Staatsoper 19.00 Bavarian State

Ballet in Peter Wright's production of *The Sleeping Beauty*. Tomorrow: Valery Gergiev conducts Boris Godunov. Thurs and Sat: Rosenkavalier with Felicity Lott and Ann Murray. Fri and Mon: Sawallisch conducts Der Illiandante. Holländer. Sat: *Le nozze di Figaro*. The Munich Opera Festival runs till July 31 (221318).

Brunswick Residence 20.00 Uros Lejovic conducts Bach *Collagium in Heydn's Symphony* No 45, Stravinsky's *Pulcinella* suite and Mozart's *Horn Concertos* Nos 1 and 4, with Eric Tawilliger (299901). Gärtnersplatztheater 19.30 *Boccaccio*, opera by Suppe, repeated tomorrow. Thurs: *The Bartered Bride*. These are the final performances of the season (201 5767).

Prinzregententheater 20.00 Mollère's *L'école des femmes* directed by Barbara Blahut. Tomorrow: Ronald Harwood's play *The Dresser* directed by Martin Fried. Thurs: *Lessing's Miss Sara Sampson* (225754).

NEW YORK

MUSIC Philharmonic in the Parks 20.00 Zdenek Macal conducts the New York Philharmonic Orchestra in a free open-air concert with fireworks at Van Cortlandt Park in the Bronx. The programme consists of Mozart's *Figaro* Symphony and Mahler's First. Repeated tomorrow in Prospect Park, Brooklyn. For more information about the Philharmonic in the Parks programme over the next week, call the Parks Hotline (580 6700).

Jordan makes his Mostly Mozart Festival debut conducting Mozart's *Symphony No 34*, Violin Concerto No 3 with Joseph Beil and Piano Concerto No 23 with Richard Gooda, plus Schubert's Overture in the Italian style, repeated tomorrow. Thurs and Fri: Jordan conducts the Heffner Symphony and Emanuel Ax plays the Piano Concerto No 25. The Mostly Mozart Festival runs till Aug 24 (875 5030).

New York State Theater 20.00 Guido Almona-Marsan conducts NY City Opera production of *Turandot*, with Ealynn Voss in title role. Tomorrow and Sat matinee: Tosca. Fri: Bizet's *Pearl Fishers*. Sat evening: first night of Nicholas Munt's new production of *La traviata*, with Sheryl Woods as Violetta. Sun matinee: Sondheim's *A Little Night Music* (870 5570).

BROADWAY THEATRE Getting Married is a revival of G.B. Shaw's 1905 play which takes a comic look at the institution of marriage. Directed by Stephen Porter, the cast includes Simon Jones and Victoria Tennant (Circle in the Square, 1633 Broadway on Fifth Street, 239-6200).

Six Degrees of Separation by John

ehowe (246 0102)

PARIS

MUSIC Auditorium, Forum des Halles 20.30 Pleno recital by Michel Daubart, including music by Liszt and piano transcriptions of works by Wagner and Richard Strauss. Thurs: Philippe Harverson conducts *Musique Oblique*. Tomorrow at Eglise Saint-Severin: Il Seminario Musicale and the soprano Catherina Dubosc perform Jonell's *Lamentations* of the Prophet Jeremiah (4804 9801).

THEATRE Comédie Française 20.30 La Tregédie du roi Christophe, Almé Césaire's play set in 19th century Haiti, about a former French army officer who declares himself king and later commits suicide. Directed by Jacques Ouedraogo and designed by Michel Raffalli, with Roland Berlin as Christophe. Repeated Thurs and next Mon. Tomorrow: Marivaux's comedy *La Fausse suivante*. Fri and Sun: Beaumarchais' *La Barbière de Séville*. Sat: Mollère's *La Malade imaginaire*. The season ends on July 31 (4366 4360).

VERONA

Arena 21.15 Grace Bumbry sings the title role in *Turandot*, conducted by Daniel Nazareth, in a staging by Giuliano Montaldo. The cast includes Kristian Johansson as Calaf and Mietta Sighele as Liu. Repeated on Fri, Tomorrow and Sat. Rigoletto. Thurs, Sun and next Mon: Nabucco. The season runs till Sep 1. (045-600 5151).

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FINANCIAL TIMES

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Tuesday July 23 1991

All power to the consumer?

THE PRIME minister describes his Citizen's Charter as only the first step in a programme for the decade. He is right, it will take more than a white paper or even two to put the consumer firmly into the driving seat of public services. It will also need considerable political will to sustain the programme in a government machine used to absorbing such initiatives.

The principles behind the charter are simple. Users of public services should be given information on what they are entitled to, including targets on standards of service. And there should be simple methods of redress when services do not come up to scratch. In other words, a service contract should be created between the service user and the service provider, with powers for the user to enforce the contract.

Implementing these principles is somewhat trickier, as yesterday's document demonstrates. In many parts of the public services, poor quality is the result of inefficiency combined with the mentality that the service provider knows best. Comparative data on the performance of utilities, schools, health authorities and local councils can help in highlighting inefficiency, and provides moral incentives to bring the worst up to the standards of the best. Effective complaints procedures can chip away at producer-dominated attitudes, particularly if monitored by independent inspectors and the results made public.

But on their own, information and complaints procedures are insufficient to force the service providers to put the user first. That requires two further steps: adequate means of redress, so that the user can sue the service provider to remind him that the state is king; and sufficient funds for the service provider to achieve acceptable quality.

Waiting times

On redress, the white paper offers some interesting initiatives. Health authorities will have to declare and publicise waiting times for operations, with a maximum waiting time of two years for all but exceptional operations. If targets are not met, health authorities

must buy in operations from other health authorities or the private sector. A simple and effective form of redress. In some other services, there will be automatic cash payments when services fail to meet targets (as already exist in some privatised utilities). Such schemes are simple and broad brush, however - a fiver for missing an appointment or a tenner for failing to restore service after a day, for example. This is better than nothing, but given the absence of choice in most public services, a stronger form of redress is needed to deal with all types of complaint - and offer higher compensation where appropriate. Ombudsmen with tough powers to investigate complaints and award compensation are needed for all public services.

Compensation scheme

The compensation scheme to be introduced for British Rail is even more limited. Automatic compensation is to be restricted to season ticket holders and people who reserve seats in advance. BR is to publicise its existing discretionary system of cash payments for long-overdue trains and service failures, but this is unlikely to be widened to include general liability for its actions. The reasons are not hard to divine: there are cost implications in providing a halfway decent rail service. Any money paid out to some BR customers who meet the criteria for compensation comes from the budget to provide better services for all customers.

Cost considerations also constrain improvements in the health service. A two-year wait with a "non-urgent" but painful condition is hardly "good quality care". If the NHS is to provide an acceptable level of service, the overhang of patients on waiting lists must be reduced, perhaps by buying in private health care on a one-off basis to clear the backlog. The consumer charter can improve the quality of public services where inefficiency and lack of consumer-consciousness are the problem. Where money is short, there is a danger that the charter may only highlight the extent of underfunding, fuelling expectations which cannot be satisfied.

Judging BCCI

IN ITS make-up, the inquiry to be conducted by Lord Justice Bingham into the closure of BCCI hears a traditional stamp. This is regrettable in so far as Lord Bingham will be examining matters which are both highly technical and international in character. It means that the inquiry has a reasonable chance of saying something useful about certain issues and none at all of shedding light on others, which may be of equal or greater importance.

The central target is the quality of the decision-making process at the Bank of England, and the effect of the practical restrictions imposed by the Banking Acts: for instance, in the obligation which the Bank felt itself to be under, when investigating irregularities, to wait for evidence of a quality which would withstand stringent legal tests. Lord Bingham should also be able to examine and make sensible recommendations about the depositor protection issues which BCCI has thrown up. It is welcome that in pursuing these questions, the inquiry will be able to call public officials, up to and including the prime minister himself, to account. It was clear yesterday from the tone of the opposition's questioning that a determined attempt is to be made to implicate Mr Major personally in the BCCI affair. It is, however, a damaging aspect of the traditional approach that Lord Bingham will take evidence

wholly in private. It should have been possible to permit in-camera sessions for evidence likely to prejudice either criminal proceedings or national security without recourse to the comfort blanket of all-embracing secrecy. Whilst the government promises publication of the inquiry's conclusions, it is also to be hoped that it means a full account of the inquiry will be published, rather than skeletal judgments.

It will be up to Lord Bingham to interpret his brief broadly. For instance, it emerged yesterday that Price Waterhouse, BCCI's auditors, believe it may be possible that the bank was unprofitable throughout its existence, a fact allegedly obscured by fraudulent reporting. Unless national regulations have sweeping powers to outlaw particular companies and individuals from operating within their own jurisdictions, they cannot easily come to grips with the international manipulation of financial assets and liabilities. In answering questions from his own side in the Commons yesterday, the prime minister accepted the need for dialogue between governments to address the complex global regulatory questions which arise from the BCCI affair. This, however, should not be allowed to mean that all consideration of the overseas aspects will be shelved until after Lord Bingham has reported.

Israel must say yes

ISRAEL should now accept the US proposals for a Middle East peace conference. For the first time since it was created, Israel's Arab neighbours say unequivocally that they are willing to negotiate a treaty based upon UN resolutions 242 and 338, which enshrine the principle of exchanging land for peace while still allowing space for negotiation on the details. The US, which has long been Israel's most consistent and committed supporter, has applauded the Arab decision and believes that an historic opportunity could at last be at hand.

Israel has been asking for such a statement from the Arab nations for more than 40 years. For a nation which has throughout its existence sur-

vived under the threat of war, Israel should be enthusiastic, if sceptical, at the chance of opening a new era. It should therefore seek, quickly, to test Arab intentions.

Of course, the substantive issues to be negotiated are formidable and mutual suspicions deep-seated. The US, its western allies and the Soviet Union, have a duty to sustain the momentum by anticipating problems and by being prepared to offer extraordinary security guarantees to the signatories of a peace agreement. This, rather than threats, may be the best way to persuade less flexible members of Israel's government that they cannot have both peace and the territories Israel occupied in 1967.

When Mr John Major warned European heads of state at the Luxembourg summit last month that Europe faced a right-wing backlash unless the European Community took immediate action to stem the tide of immigration, he touched a raw nerve.

Immigration - both legal and illegal - has moved to the top of the political agenda right across the Community. Many politicians are starting to think - and a few say - that Europe is already full, with an estimated 10m immigrants, and that the need for the harmonisation of immigration policies across the Community is now urgent.

The Dutch, who took over the EC presidency on July 1, have made harmonisation of asylum regulations within the next six months a priority. Mr Ernst Hirsch-Ballin, the Dutch justice minister, called it "one of the most urgent tasks of our presidency".

Yet despite general agreement on the need for European co-operation, within days of the Dutch assuming the EC presidency several member states had taken unilateral action to tighten their own immigration and asylum laws.

The British government, which had pushed strongly for co-operation in this area, introduced changes in the UK's asylum laws to speed up and simplify procedures and tackle the growing problem of asylum abuse, such as bogus applications for asylum as a way around immigration controls.

France, announcing measures to crack down on illegal immigrants, said it intended to deport between 300,000 and 1m. Germany confirmed that it would go ahead with the deportation of 50,000 and 100,000 illegal immigrants.

The British move was prompted by what Mr Kenneth Baker, the home secretary, described as the growing problem of asylum abuse. According to the Home Office, applications for asylum in Britain have risen from 5,000 in the whole of 1988 to more than 1,000 a week in the first six months of this year.

These figures are disputed by refugee and immigration agencies which accuse the government of scare-mongering and of playing the race card. Ms Jan Shaw, Amnesty International's refugee officer, says that statistics

The real problem is that co-operation between members is meaningless until procedures and criteria for determining refugee status within the EC are harmonised

gathered from UK ports and airports show that fewer than 200 asylum-seekers arrive in Britain each week. That means that more than 800 applications for asylum each week are made from within the UK. In one month - April - 4,500 applications were made from within the UK, according to the government.

Yet in May and June 1989 when 3,500 Kurds from Turkey arrived in the UK seeking asylum, the agencies were flooded with work and could barely cope. "Who's seeing all these people," Ms Shaw asks, "because we certainly aren't".

The implication is that these are people making multiple applications for asylum under different names in order to defraud the social security authorities. But if the government knows this, why Mr Shaw asks - is it not prosecuting anybody? A total of 12 people have been charged with this type of social security fraud over the past 18 months.

There is little doubt, however, that the asylum system throughout Europe is under strain from the com-

The co-ordination of immigration policies across the European Community has become a pressing concern, writes Robert Rice

Europe's need for a common front

stant growth in the numbers seeking asylum and the rapidly rising cost of processing claims.

Refugee organisations such as the United Nations High Commission for Refugees (UNHCR) have warned that present developments will eventually lead to the collapse of traditional western asylum systems unless changes are made.

The problem with the present system - based on the 1951 UN Convention Relating to the Status of Refugees - is that it was developed largely from the experience of handling refugees from eastern Europe between 1950 and 1975. The cold war ensured that those fleeing from east European countries were generally welcomed with open arms by the west.

But in the mid-1970s the focus of the refugee problem began to shift from Europe to south-east Asia and Africa, largely because of an increase in political oppression and civil wars in those regions. At the same time recession and rising unemployment in Europe following the 1973 oil crisis prompted governments to impose tougher immigration controls. As the new measures began to bite so the number of asylum applications began to rise.

In Europe the number of immigrants fell from 1.2m in 1972 to an average of between 700,000 and 800,000 a year by 1990. But the number of asylum-seekers rose from 14,000 in 1973 to 71,000 in 1988 to 500,000 by 1990. Between 1983 and the end of 1990 there were 2.2m applications for asylum in Organisation for Economic Co-operation and Development (OECD) states. On present trends asylum-seeking is becoming a conventional migrant within four years.

This presents European countries with a political dilemma. Most of them pride themselves on their willingness to provide asylum for genuine refugees - those who according to the international standard laid down in the 1951 UN Convention are unwilling or unable to return to their country of origin "owing to a well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion".

But the more asylum becomes a costly form of immigration control, as now appears to be the case across Europe, the more public support for genuine refugees will fall away. The danger is that governments will be pushed into introducing restrictive asylum rules which will adversely affect genuine asylum-seekers.

Clearly abuse of the asylum system has increased in recent years, but the rise in the number of applicants cannot be wholly attributed to bogus asylum-seekers.

Iran, Sri Lanka and Lebanon accounted for nearly 200,000 of the 500,000 applications for asylum in Europe between 1983 and 1988. Among these were many with invalid claims and many making multiple or parallel applications. But the bulk of the rise in the overall number can be attributed to the increase in the number of economic migrants.



In 1989 alone 120,000 asylum-seekers arrived in the EC from three European states, Poland, Yugoslavia and Turkey, all with high unemployment and poor economic conditions. This problem has been exacerbated by the collapse of the communist regimes of the east.

At the same time the number of applicants being granted refugee status continues to decline, while the number whose applications have been rejected but who are allowed to stay on humanitarian grounds is growing.

Overall in Europe it is estimated that 75 per cent of applicants who undergo the full asylum procedure after pre-screening at ports of entry stay in the country when the procedures have been completed. Roughly half remain legally having obtained refugee status, while the other half stay illegally or semi-legally, having

been given leave to remain on humanitarian grounds.

Meanwhile, the costs of processing this vast increase in asylum-seekers have soared. In 1988 the cost for processing applications and for the care of asylum-seekers in 10 European states plus Canada was at least \$4.8bn, (\$2.9bn) of which Germany accounted for 34 per cent (\$1.6bn) and Sweden 17 per cent (\$800m). In the UK, the Home Office says it cost \$400m last year to keep 30,000 asylum-seekers on state benefits while their cases were processed. The system is clearly under intense pressure.

So far co-operation on immigration policies within the EC has been confined to two conventions: the Convention on Asylum, also known as the Dublin Convention, which provides that asylum-seekers will only be allowed to file their application in one

specified member state; and the Convention on the Crossing of External Borders, under which member states will co-operate systematically in imposing visa requirements on nationals of the same countries and sanctions on transport operators which carry people not in possession of the required visas or travel documents.

Both conventions are awaiting ratification but should be in place by the end of 1992. Several countries belonging to the European Free Trade Association (Efta) have expressed a desire to affiliate to these conventions which would extend systematic co-operation well beyond the Community.

In addition, the Schengen Supplementary Agreement signed in June last year by the Schengen Group (comprising Germany, France and the Benelux countries) provides for uniform principles to be applied by its members in controlling their external borders including harmonisation of conditions of entry and visa requirements and criteria for determining the country responsible for examining an asylum request.

Such a policy direction is causing great concern among refugee agencies. Amnesty International, for example, welcomes the intention of contracting states to agree on which state is responsible for examining a particular asylum request and thus avoid any further increase in the number of so-called "refugees in orbit".

But Amnesty is concerned that a particular state where a person asks for asylum could refuse to hear the request, and instead send the person to a country that is deemed under the convention to be responsible for examining the request but where the border or refugee procedures lack essential safeguards.

Equally, in respect of visa requirements and the imposition of penalties on carriers, the agencies are concerned that the net effect will be to obstruct those in real need of asylum.

Governments may assert that people who need protection can apply for a visa, but in practice this is often difficult. As the UNHCR handbook on procedures for determining refugee status notes: "In most cases a person fleeing from persecution will have arrived without the barest necessities and very frequently even without personal documents." Many asylum-seekers have to flee urgently and cannot wait for a visa to be issued, or it may simply be too dangerous for the asylum-seeker to apply for one.

The real problem, however, is that co-operation between member states is largely meaningless unless and until procedures and criteria for determining refugee status within the Community are harmonised.

At the moment inconsistencies within the EC means that an asylum-seeker who may be recognised as a refugee in one member state may be refused recognition by another. That is the problem to which the Twelve have now turned their attention. The trouble is that no one appears to know what is involved, other than that an inventory of member states' asylum policies is being compiled with a view towards harmonisation by the end of the year. The UK Home Office says only that it is still early days and that it is keen to see progress in implementing the Dublin convention.

The fear among refugee agencies, however, is that such harmonisation could lead to the adoption of some of the more restrictive policies and practices currently applied across the Community. Whose approach will be followed: Britain's, France's, Germany's?

If governments are serious about retaining an efficient and fair system of asylum in the EC they need to consult with the non-governmental agencies concerned with the protection of human rights and refugees before they finalise any arrangements. At the moment there are no signs of this happening.

Triumph of hope

One needs only glance at the Whitehall record of businessmen like Lord Rayner, Young and Sterling to wonder whether there's much to be gained in the UK government hiring yet another non-sensational executive to put a bomb under officialdom. It didn't work before: why should it now?

Nevertheless Sir James Blyth looks as good a choice as any to chair the panel of outside advisers supposed to drive through the Citizen's Charter reforms. Currently chief executive of Boots, he has been on the inside (as the defence ministry's super-salesman) as well as on the outside in a career which has ranged from Mobil Oil and Mars to Lucas and Plessey.

Forceful and punctilious, Blyth is the sort of bloody-minded Scot who would rather resign than work under an autocrat like Sir John Clark, the former chairman of Plessey. Top civil servants may need to manoeuvre even more cannily than usual.

He is a great talker and a natural salesman who genuinely believes in his latest product. Watching what is happening in Germany, he is convinced that "it is a direction in which the government has to be heading in this century".

Shareholders in Boots may be less convinced. The Ward White acquisition is proving nowhere near as "fantastic" as Sir James first thought. So although he will only be spending one or two days a month on his new venture, there will be those who'll think the time could be better spent minding Boots's store.

Freudian slip?

Picture the scene. Shakespeare's *Midsummer Night's Dream* is about to begin at the Open Air Theatre in London's Regent's Park when there's commotion in the audience.

OBSERVER

Neil Kinnock's party have been discovered sitting on the left, when they should be on the right. They swap places. Is this still another subconscious reflection of the Labour Party's policy review?

Core job

Albert Fisher, the international food distributor, has appointed a new chief executive of its North American operations - Leany Pippin. Presumably, he will be based in the Big Apple?

Safe landing

The fallout from a US Atlas rocket explosion three months ago has finally settled in Japan with the appointment of a new chairman of the NHK broadcasting corporation, the Japanese equivalent of the BBC.

Incoming Masami Ito, a 71-year-old former supreme court judge who is an auditor for NHK's executive board, seems a safe choice to replace Keiji Shima who had ambitious plans to internationalise the state broadcasting system. He was forced to resign, however, after admitting he lied when testifying to the Japanese parliament about his whereabouts on April 18, when the exploding rocket destroyed an NHK broadcasting satellite.

His testimony was that he was in New Jersey, keeping an eye on developments from the office of the General Electric subsidiary which built the satellite. But he later confessed he was in a hotel in Los Angeles.

Although Shima has not said precisely what he was doing at the hotel, Japan's tabloid newspapers have had little trouble making a scandal out of the affair. What, after all, do Japanese businessmen do secretly in hotels?



NHK is no doubt hoping its new chairman will swiftly restore the broadcasting service to its normal staid image.

Hat trick

Judging which hat can be properly worn when seems to be a headache for Hong Kong's businessmen-cum-politicians. The latest case in point is the BCCI debacle's effect on David K.P. Li, who besides being chief executive of his family's Bank of East Asia, is a financial community representative on the colony's Legislative Council.

In his council headgear he has been legitimately bemoaning the HK government's handling of BCCI, indulging in his favourite political sport of heaping long-suffering financial secretary Sir Piers Jacobs, who retires next month.

But he has gone farther by keeping his council hat more on than off when complaining about the rejection of his bank's offer to buy BCCI's Hong Kong offshoot, now moving into liquidation. He offered a 50-50 joint venture with the local Overseas

Trust Bank, which has been owned by the government since it collapsed in 1985. The government rejected the proposal because Li wanted the colony's Exchange Fund, acting through the OTB, to pick up all the risk.

In response he has criticised Jacobs's qualifications, and accused the government of not consulting "anyone" about the liquidation - which presumably means he feels his offer was not given enough attention. As his bank records all telephone conversations, he added, he can prove how badly he has been treated.

Summer copy

Holiday reading plans of some of Germany's movers and shakers are revealing. Birgit Brenne, head of the Treuhand, and Hans-Olaf Henkel of IBM Germany, are relaxing with a bit of tyranny. Both put Alan Bullock's "Hitler and Stalin: Parallel Lives" at the top of their reading list.

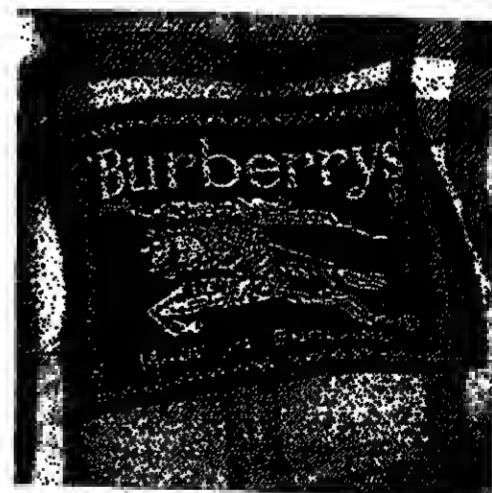
Hellmuth Budeberg of BP's German arm and Helmut Mauchner of Nestlé are among five to make their first choice a historical survey by Joachim Fest of the decline of communism entitled "der zerworfene Traum" (the broken dream). But not everyone is being so highbrow. Professor Ralph Dahrendorf, a former director of the London School of Economics, prefers Frederick Forsyth's "doppelspiel", which will reach the UK bookstands in September entitled "The Deceiver". More scrapings from the cold war floor, I hear.

Dog's life

A Texan, who rushed his dog to a surgery after it was hit by a car, was confronted by two brass plaques at the door. They read:

Virgil B Jones - Veterinarian
Virgil B Jones - Taxidermist
Underneath was a handwritten sign saying:
"Either way, you get your dog back".

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Breakdown of the old frontiers

France's state-owned companies are behaving more like private ones, writes William Dawkins

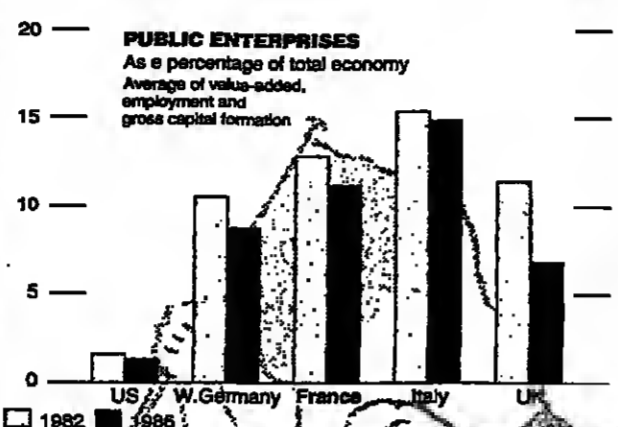
The European Commission, seen in France as suspicious about everything that moves in the state sector, is taking an informal look at the details of Crédit Lyonnais's accord with Usinor-Sacilor, to check that it does not amount to a covert state subsidy. It is also examining a FF20bn dollop of fresh state capital for Air France, announced in February and confirmed last week.

The current uncertainty stems from a change in the French government's approach to state-owned companies earlier this year. Previously, policy was set by President François Mitterrand's 1981 election pledge that he would countenance neither privatisations nor nationalisations, known as the "ni...ni" (neither...nor) policy. But in April that dogma was significantly loosened with government decrees allowing private companies to take minority stakes in state-owned ones. The move was seen as recognition of the fact that state industry badly needed more flexibility to raise capital while it was simultaneously recovering from an unprecedented international takeover spree and entering the economic slowdown.

In fact, the complex organism that constitutes France's state sector has been in constant evolution since the first wave of nationalisations in the 1980s - latterly including an aggressive series by the Socialist government elected in 1981 and an ambitious privatisation programme launched by the 1986-88 conservative government of Mr Jacques Chirac.

Even after the Chirac privatisations, France's state sector today represents 12 per cent of the economy, according to the OECD - a figure only beaten by Italy, Greece and Portugal among France's EC partners.

With a Socialist prime minister back in office in 1988, Mr Mitterrand reckoned it was in industry's best interests to call a halt, rather than reverse Mr Chirac's privatisations. Stability was the purpose of the "ni...ni" policy, but it soon became a straitjacket, limiting state-owned companies' access to both government and pri-



Source: OECD, 1990. 1982 and 1990. 1982 and 1990. 1982 and 1990.

Country	Value-added (%)	Employment (%)	Gross capital formation (%)
France	12.5	9.8	2.7
Germany	13.5	9.8	2.7
Italy	13.5	9.8	2.7
UK	13.5	9.8	2.7

Source: EC

state sector capital. In France, there is a way round everything. So it was that the state sector soon found ways to raise cash by issuing exotic securities having the qualities of both debt and equity, a technique pioneered by the chemicals group Rhodone, by publicly floating subsidiaries, as in the case of Pechiney, the aluminium and packaging group; or by buying shares in each other as in the case of Crédit Lyonnais and Usinor-Sacilor and several other pairings.

In practice, the boundaries between the public and private sectors have been allowed to shift according to the companies' business interests. Renault's sale of a 20 per cent stake to Volvo, the private Swedish car maker, last year can be seen as a partial privatisation, while Air France's takeover of UTA and Air Inter, its main French rivals, can equally be seen as partial nationalisation.

Chairmen of state companies

behave like private ones, that invites the question of why the Paris government does not pursue that logic further and privatise the lot of them.

Some of the more independent-minded state company chairmen, such as Mr Jean Peyrelevade, chairman of Union des Assurances de Paris, the insurer, believe the recent relaxation of the "ni...ni" dogma might be a step in that direction. If so, few of his state sector colleagues would shed a tear. Privately, executives at Renault, Pechiney and Usinor-Sacilor, admit they would love to be privatised, to increase their access to private capital markets and to improve their image in Brussels.

Certainly, the pressure in that direction from the European Commission is unlikely to let up. Sir Leon Brittan, the competition commissioner, has provided an unrelenting inquisition of state subsidies suspected of distorting competition - frequently choosing France as his target. The well-publicised row over Renault has been his biggest case, but other receivers of subsidies to have come under investigation recently are Renault, Bull, the computer maker, and Thomson the electronics group.

Sir Leon argues that he has nothing against the state sector as such and French officials add that no part of the Treaty of Rome - the EC constitution - forbids government industrial ownership. The Commission says its rule of thumb is that state subsidies are acceptable so long as a private shareholder would have made the same decision.

Even so, France's government shareholders and the companies in its portfolio are sorely conscious that they can hardly make a big financing decision without being hauled over the coals in Brussels. Government officials argue that ultimately the state should provide a more stable and longer-term shareholder for its companies than the private sector could - a policy which logically invites further clashes with Sir Leon.

But for the time being, Mr Mitterrand is holding to his "ni...ni" dogma. This condemns his government to carry on with its middle-through industrial policy, which means giving state industry maximum access to finance within the loose and confusing framework of existing rules.

The next chance for a big change could be after the next general election in 1993. If the conservatives win, as the opinion polls say they might, they can be expected to return to their real privatisation with a vengeance.

Joe Rogaly Election charter



The Tory "Citizens' Charter" announced with much fanfare yesterday constitutes a cautious if long overdue attempt to improve the relationship between consumers and producers in the public services. Consumers are to be better informed; producers will be urged to be more courteous. Targets will be set everywhere; results and league tables will be publicised. Three additions are tacked on. The post office monopoly of letters services will be broken, and London's bus services and, as we know, British Rail will be privatised. That's it.

The charter has nothing to say about true citizenship, rather than the compensation schemes. One to the opposition. Against that, Labour will be hard-pressed to match the Tories' proposal of a guarantee by the National Health Service that no patient will wait longer than two years for treatment due, since the remedy - redress by a private practitioner at public expense - is attractive to Conservative thinking alone. One to the government. Overall, Labour's predilection for the creation of new supervisory authorities is less convincing than the Conservatives' penchant for bringing best private sector management techniques into the public services. Supervision of officials by committees of appointees has been tried, tested, and found wanting. Mr Major's willingness to take a risk with half-formed public choice theories may not have produced much of substance this time around, but it is at least a novel and promising approach.

Unfortunately the charter is silent about strengthening consumer or shareholder protection in the private sector, The Conservative Charter

does have some content beyond the restatement of the virtues of privatisation, contracting-out of schools and hospitals, sales of council housing and the rest of the well-known list. Judged by its proposals for new consumer rights to decent public services it is either level-pegging or, here and there, slightly ahead of the opposition parties. It is, however, relatively soft on the recently-privatised utilities. Like Labour the Tories shrink from the prospect of breaking up monopolies such as British Gas. Call that even stevens. But where the Labour leader, Mr Neil Kinnock, would significantly increase the powers of all regulators (Ofwat, Ofgas, Ofwat and so on), the government merely proposes to level up to existing strongest practice, and throw in a power to enforce the establishment of rather tame compensation schemes. One to the opposition.

Against that, Labour will be hard-pressed to match the Tories' proposal of a guarantee by the National Health Service that no patient will wait longer than two years for treatment due, since the remedy - redress by a private practitioner at public expense - is attractive to Conservative thinking alone. One to the government. Overall, Labour's predilection for the creation of new supervisory authorities is less convincing than the Conservatives' penchant for bringing best private sector management techniques into the public services. Supervision of officials by committees of appointees has been tried, tested, and found wanting. Mr Major's willingness to take a risk with half-formed public choice theories may not have produced much of substance this time around, but it is at least a novel and promising approach.

Unfortunately the charter is silent about strengthening consumer or shareholder protection in the private sector, The Conservative Charter

while a great many of its public sector proposals amount to an exposition of existing practice, with ribbons and furbelows added. (The frill for which all else may be forgiven is a requirement that all who deal with the public face to face will be obliged to wear name tags, while telephone voices and the writers of letters will no longer be anonymous.) And everywhere so strong is the chorus, "this is what we've done", that it is obvious that nine-tenths of Mr Major's charter has been composed by the familiar Whitehall choir, singing its oldest refrain. There is another flaw: to nobody's surprise, the Treasury has purged the document of anything that might cost extra money.

A modest thing then, as Mr Major should but will not acknowledge, but at least one-tenth must own. Thus seen in proportion, what political outfall can the prime minister expect from his colourful white paper? It comes at a time when he is visibly growing in self-confidence, and benefiting from the public perception that this is what he is doing. He has found that he can strut the world stage without falling on his face; indeed that he is an affable and competent politician well able to master a brief and parlay with Messrs Kohl, Mitterrand, Gorbachev, Bush and the other members of the Group of Seven-plus-one.

In consequence there are plenty of accolades to acclaim him a world statesman. There is more than just that working in his favour. The opinion polls have become less adverse to his party and extremely encouraging for him personally. Leave aside the threatening dark cloud of the BCCI banking scandal. Forget, for just a moment, how sticky the trough of the recession is turning out to be. Ignore the stubborn refusal of Labour to fall below 40 per cent in the opinion polls. Think sunny uplands. Everything then becomes possible. See? The prime minister is clearly on a roll. His charter, with its heavy accompaniment of warnings that this is only the start of a 10-year programme, should therefore improve the Tories' already growing chances of winning the election. That, after all, is its primary purpose.

LETTERS

Reshaping BT: the interests of the user and the example set by Japan

From Mr D G Harrington.

Sir, The argument as well as the user's multiple choice, with access to competing networks on equal terms. D G Harrington, Telecommunications Managers Association, 40 Chisworth Parade, Petts Wood, Orpington, Kent

The business user, whether a customer of BT or Mercury, regards with alarm the current furor over access fees to BT's local network. Not because he shares the view of BT's public relations department that Ofel has reneged on a deal or has made an error of judgment (far from it), but because the smoke-screen of reference to the Monopolies and Mergers Commission (and the consequent challenge to the government's privatisation timetable), is only of short-term interest. When the smoke has cleared there will be a very serious risk that Ofel's overriding objective - to introduce competition to BT's de facto monopoly of access lines into business and domestic premises - will somehow have perished during the skirmish.

Getting the competitive structure of the market right, as a pre-requisite of privatisation, is undoubtedly the right policy. But a successful marketplace, working to the benefit of the user community, cannot be achieved with a hopelessly fragmented BT, and therefore we must be prepared to accept a future still dominated by a national carrier with 80 per cent or so of the market.

We must be careful, in the coming battle, to see that Ofel is not "inadvertently" crippled in the cross-fire, and we must

seek a way of breaking BT's local monopoly which will offer the user a multiple choice, with access to competing networks on equal terms. D G Harrington, Telecommunications Managers Association, 40 Chisworth Parade, Petts Wood, Orpington, Kent

From Mr J M Harper. Sir, Your leader of July 15 was correct. The structure of BT needs to be reconsidered. But it will be important to preserve a central core massive enough to compete in the big league of international carriers such as AT&T and NTT. The distribution cables and ducts which connect customers to the system lie at the heart of the problem. BT's competitors have the choice of building their own, which is extremely expensive, or depending on BT. For the most part they have to. The high cost to BT of providing and operating its present distribution plant, and the high charges it makes in consequence to its competitors for using it, are the root of the current difficulties.

The BT plant has fundamental

BA productivity then and now

From Mr Martin O'Regan.

Sir, I have read with much interest the plans of British Airways ("BA" in talks with restructuring) July 19 to reduce its business to a core level as an airline operator.

Nearly 10 years ago you published my letter drawing attention to the productivity level at BA, which under mostly the same management as today, employed about 250 staff for each operational aircraft. The airline with which I was then

associated employed 50 staff per aircraft. The letter drew a response from both Lord King and Sir Colin Marshall. I am pleased that after a decade the same management is prepared to re-organise its business to that core airline work. However, from available information the number of staff per aircraft is still well in excess of 200. Martin O'Regan, Business Aides Associates, BP 252, MC 98005 Monaco

False view of long-term unemployed

From Mr Peter Robinson.

Sir, I strongly disagree with the high bit rate IT and TV services of the future. Faced with a similar problem in Japan, NTT is planning a revolution. The company I now work for (I was the last public sector managing director of BT inland operations), NSC, is deeply involved. Fibre cables are to be laid to the great majority of businesses and homes in Japan. Exchange developments are keeping step. There is no similar programme in Britain.

In The Third Way published last December I suggested a new company should be set up to create and run a high-tech distribution network as a common resource for BT and all its competitors - Mercury, the cable TV and PCN companies and the latest generation of carrier entrants. The arrangement for co-operation in PCN infrastructure between Mercury and Uniflex is a welcome first step. If the full idea were taken up the present problems of the regime would be resolved. J M Harper, 11 Lullington Close, Seaford, East Sussex

Does this data not suggest that when the economy is buoyant, the long term unemployed seem able to take advantage of job opportunities?

Several labour market policies were operating at the same time to reduce unemployment, but their existence does not significantly alter the argument; in practice they impacted as much on short as long term unemployed. What the long term unemployed, and all the jobless, need are not schemes where participation is enforced through threatened loss of benefit, but strong and sustained output and employment growth which is not put at risk by accelerating inflation and a rising current account deficit. The solution lies primarily in a move towards a more co-ordinated system of pay bargaining in Britain, which would allow inflation to be controlled by means other than recession, bankruptcy and mass unemployment.

Peter Robinson, Campaign for Work, Tottenham Town Hall, Town Hall Approach Road, London N15 4RX

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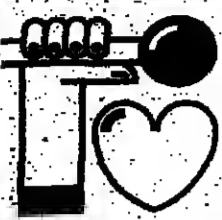
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PHARMACEUTICALS

SECTION III

Tuesday July 23 1991



Economic recession has not touched the industry. Yet while sales and profits are growing fast, soaring

R&D costs and government moves to hold down health spending are forcing companies to seek partners for merger, acquisition or strategic alliance, writes Clive Cookson.

Successful but cautious

EXECUTIVES in the pharmaceutical industry are asking themselves with increasing nervousness how much longer the good times can last. For how long can the industry go on pushing up profits by 15 per cent a year, regardless of the external economic cycle?

Old-timers point out that its Cassandras were predicting a gloomy future 10 years ago, when drug development times were increasing rapidly, new regulations threatened to strangle innovation and some scientists were saying that it would soon be virtually impossible to discover useful new drugs because all the best ones had already been found.

Yet the 1980s turned out to be a period of unprecedented prosperity for large drug companies, almost regardless of their product line. Many innovative new products were launched, and even the relatively poor performers have been highly profitable compared with their counterparts in science-based industries. For example, most of the leading US computer manufacturers of a decade ago - Burroughs, Sperry, Honeywell, NCR and Control Data - have fared worse than the less successful US drug companies

such as Pfizer, Sterling Drug and Eli Lilly.

There is a striking contrast, then, between the current success of the \$180bn-a-year world pharmaceutical industry and its fears for the future, which are driving companies into a variety of mergers and alliances. The concerns include:

■ Rapidly escalating research and development costs. According to the US Pharmaceutical Manufacturers Association, the cost of developing a new drug has risen from an average \$125m in 1967 to \$220m in 1990.

■ Growing pressure to cut the price of medicines. Drugs are a tempting target for governments wishing to restrain soaring health-care costs, although they represent only about 10 per cent of health spending and can actually save money if used sensibly.

■ A switch from branded prescription drugs, the source of the industry's prosperity, to non-prescription "over-the-counter" medicines on the one hand and unbranded "generic" drugs on the other.

The industry's recent combinations and alliances - the partnership between Sanofi and Sterling, Roche's acquisition of Genentech, Merck's joint venture with Du Pont, and the Rhône-Poulenc Rorer, SmithKline Beecham and Bristol-Myers Squibb mergers - are driven by the feeling that only large global companies can spend hundreds of millions of pounds a year on R&D to maintain a flow of new drugs innovative enough to make large profits in the price-conscious pharmaceutical markets of the 1990s. And only global



Research in Wellcome's diagnostics division focuses on kits to detect viruses and bacteria, including HIV, which causes Aids, and salmonella, a cause of food poisoning

marketing operations can push new drugs on to all the world's main markets quickly enough to make a good return before their patents run out.

"We tend to think that our industry is dominated by large global companies," Robert Cawthorne, chairman of Rhône-Poulenc Rorer, told this year's Financial Times World Pharmaceuticals Conference. "Nothing could be further from the truth. There are literally

hundreds of pharmaceutical companies in the world, and the regional companies currently dominate."

The pharmaceutical industry is certainly far less concentrated than other manufacturing sectors such as aerospace, cars, computers and telecommunications equipment. Merck, the largest drug company, Merck of the US, has only just over 4 per cent of the world market; and three more, Bristol-Myers

Squibb of the US and Glaxo and SmithKline Beecham of the UK, have over 3 per cent.

According to Mr Cawthorne, a 2 per cent share of the world market gives a pharmaceutical company sufficient "critical mass to compete effectively" on R&D and marketing.

Twelve companies now have critical mass by that definition. Drug companies in the second tier with 1% to 2 per cent of the world market, including ICI and Wellcome in the UK, maintain that they are large enough today to compete with the giants on R&D and marketing. But concern about their future competitiveness as solo players is prompting them to look actively for partners.

Over-the-counter and generic pharmaceuticals are even more fragmented than the mainstream prescription drugs industry. Mr Olivier Feirlynek, of McKinsey & Company, who has studied the European OTC market, says that of more than 15,000 registered brands only 10 can be bought in seven or more countries. And even the leading brands suffer from widely divergent national regulations; for example, anyone can buy the Vicks-VapoRub remedy in British supermarkets, while in Germany it is sold only in pharmacies, and in France it is available only on prescription.

The market for OTC drugs, also known as self-medication, is worth an estimated \$30n a year in Europe and \$35bn worldwide. It, too, is consolidating rapidly. Recent OTC deals include Roche's purchase of Nicholas Labs from Sara Lee, and a joint venture between Merck and Johnson & Johnson.

Most experts predict that OTC sales will grow faster than the prescription drug market over the next decade, and some enthusiasts go so far as to predict that the two sectors could be similar in size early in the next century.

Some pharmaceutical companies, such as Glaxo and ICI, have a corporate policy to avoid the OTC market. They recognise that it requires skills in selling directly to consumers and is very different from the medically-oriented marketing of prescription drugs. Another crucial difference is that many leading OTC brands have been on the market for

several decades, while the money-spinning prescription brands are much more modern.

But many other drug companies have a stronger tradition of consumer selling, including SmithKline Beecham, Bayer, Warner-Lambert and American Home Products, and they are competing to increase OTC sales. Some best-selling drugs, such as SmithKline Beecham's ulcer treatment Tagamet, have a good enough safety profile to offer the prospect of a switch from prescription-only to OTC as they lose patent protection.

As the European and American drug companies manoeuvre for strategic advantage, they are looking anxiously over the eastern horizon. A dozen Japanese pharmaceutical companies are preparing to break out of their \$90bn-a-year home market and take on the western companies in the global market. They are beginning to set up research and manufacturing operations outside Japan. Examples are Yamanouchi's research centre, in Oxford, and manufacturing plant in Ireland, and Eisai's research institutes in London and Boston.

At present, drugs discovered in Japan are generally sold overseas by foreign licensees. But, as part of their globalisation strategies, Japanese companies plan in due course to establish their own marketing operations in other countries.

Today the Japanese have 45 per cent of their own pharmaceutical market and 3 per cent of the European and American markets. Given the long development times of the pharmaceutical industry, it will be well into the next century before Japan's share of the western market could reach 10 per cent - and some observers doubt whether it ever will.

The Japanese are looking in their patient, polite way for overseas partners. For example, David Friend, chief executive of ICI Pharmaceuticals, says Japanese drug companies have approached his company about an international alliance. "But we've always said that we are not really interested". He believes that the Japanese would gain much more from such a partnership than ICI. "They would be using us as a way of entering the world market."

IN THIS SURVEY

The first year of a company that can claim to be a world player

■ Rhône-Poulenc's acquisition of 68 per cent of Rorer has produced a pharmaceutical operation which can boast sales that top \$3.5bn and an R&D budget of \$440m. It is ranked in the top three in Europe, and has vastly improved its presence in the US, the world's largest market. As RPR prepares to celebrate its first anniversary, the marriage is analysed on Page 5

ALSO

■ Restructuring the industry: the latest joint ventures could become a model for the rest of the industry 2

■ Generic drugs: what happens when the patent runs out? 2

■ R&D: British-owned groups believe that, by better planning and co-ordination, they could reduce clinical development times 3

■ Marketing: both the prescription and OTC sides of the industry are concerned about an EC draft directive 4

■ Regulation: companies are having to justify the cost-effectiveness of new drugs, showing that they reduce the time patients spend in hospital 4

■ Distribution: the wholesalers set the new agenda 5

■ Imagery: the public seems to like the industry, even though it knows relatively little about it 6

■ Manufacturing: the industry is poised for significant change 6

IT TAKES MILLIONS OF WORDS TO WRITE ONE PRESCRIPTION



But the documentation necessary to gain approval for a new medicine is only one sign of the enormous intellectual and financial effort involved.

In fact the latest figures show that as well as the dedication of thousands of scientists, it takes, on average, ten years and costs £150 million to bring one pharmaceutical compound to the market.

Glaxo has over 6000 highly qualified people in Research and Development worldwide. New research complexes were recently opened in Italy and the United States and

another is nearing completion in Japan - part of the programme to expand R&D internationally.

Our expenditure on R&D has grown 16 times in the last ten years and now approaches £500 million a year.

The enormous benefit this long term investment brings to individual patients and to national economies is hard to quantify. However, the effective use of prescription medicines plays a vital part in keeping people out of hospital and operating theatres, reducing pressures on both healthcare

services and budgets alike.

But the massive investment programmes necessary to continue the research and development of new medicines can only flourish in the right climate.

A climate that rewards and protects the intellectual efforts involved.

A climate that recognises the need for progress.

And that's a prescription that will help us all.

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WORLD LEADERS IN PHARMACEUTICALS

PHARMACEUTICALS 2

Restructuring the industry

Alliances offer a model

ESCALATING costs, caused mainly by the need for truly innovative research, see the world pharmaceutical industry facing unprecedented change.

However, despite growing research-and-development budgets - R&D expenditures have risen 15 per cent per annum since 1985 - there has been a marked drop in research productivity. The number of new drug applications submitted has actually decreased by about 10 per cent every year.

According to the US Pharmaceutical Manufacturers Association, the cost of developing a new drug has risen dramatically - from an average \$125m in 1987, to \$230m in 1990.

The industry which was once considered a stable one, with the same 20 or 30 companies remaining market leaders for the past 25 years, took a giant shake-up following the events of the period 1988 to 1990.

One leading UK drug industry analyst called it merger mania, while another described it, more conservatively, as a consolidation of the industry. No fewer than 15 large mergers were reported or completed during that period, leaving the stock market asking: who or what will be next?

The merger process was on a global scale, though most of the deals were in the US, or involved US companies, and

are helping to reshape the US pharmaceutical industry by reducing the number of independent manufacturers and bringing foreign ownership. Those companies that remain are looking for a friendly partner, and are taking moves to install takeover defences and to initiate a plan of survival.

"In sharp contrast, the first year of the new decade has been a year to digest," says Robin Gilbert, analyst at James Capel. "The obvious companies got involved in mergers, but now the industry is sitting back and digesting the outcome."

In 1990, only two acquisitions were over \$500m: Rhône-Poulenc's \$3.3bn fusion with Rorer, and Roche's \$2.1bn acquisition of Genentech. Two of the biggest deals of 1990 were not acquisitions at all, but joint ventures: Sanofi's joint venture with Sterling Drug, and Du Pont's joint venture with Merck.

The Sanofi-Sterling alliance provides an innovative solution to both companies' competitive and financial pres-

sures. An important aspect of it is that it does not involve any exchange of funds between the parties or the goodwill-depreciation that would result in a dilution of per-share earnings, the companies say. This is said to have been made possible by the comparable sizes of the two companies and their geographical and research complementarity.

"The alliance will create a new awareness of the Sanofi name in the US, and bring considerable R&D synergies together," said Mark Tracey, analyst at Paribas Capital. "The deal could be the forerunner of Sanofi taking eventual control of Sterling by 1995," he added.

It seeks to preserve each partner's cultural identity and financial capacity. Basic research will remain independent, with the alliance having exclusive rights to the two companies' pipelines. Certain development costs will be shared. The production and marketing of ethical drugs will be conducted jointly under the name Sanofi Winthrop, for which two territories are cre-

ated. One of these ventures, to be 51 per cent owned by Sanofi, will be responsible for Europe, Africa and most of mainland Asia. The other, 51 per cent owned by Sterling, will cover North and South America and most of south-east Asia.

Each region will be run by strategic management committees, co-chaired by management from both companies. The planned structures will allow each company to maintain earnings derived from existing operations, while all synergies and future operations will be shared.

"It will work and it will work better than a merger," was the joint message expressed by two very enthusiastic chairmen: Sanofi's Jean-François Dehecq, and Sterling Drug's, Louis Mattis, in Paris recently.

Commenting publicly for the first time on the alliance, both said they were even more convinced that their vision to form an alliance was the right one.

This alliance "makes sense, it's smart to do business this way," Mr Mattis said. It was a pioneering venture that would

show the drug industry a new way to do things.

Mr Dehecq said: "The alliance was made possible by the coming together of two philosophies and a determination to make it a success."

The second joint venture between Du Pont and Merck & Co was more surprising at first glance, because the two partners could not be more different. Du Pont had spent heavily on R&D but was not getting a just return, due to its limited development skills to turn projects into products. Meanwhile, Merck was facing a different issue, managing its large R&D operation. It also faced a challenge to its research supremacy from the new Bristol-Myers Squibb (BMS) operation. BMS could now spend at Merck's R&D expenditure level.

Still partly a product swap arrangement, Du Pont Merck Pharmaceuticals gives Du Pont the assured products and development capability it needs to finance and create an international sales operation, which in turn would subsidise a larger

The leading pharmaceutical companies			
	Home country	Sales 1990 (\$m)	Growth 1990/89 %
Merck	US	3,610	9.4
B-Myers Squibb	US	3,380	6.0
Glaxo	UK	2,970	8.2
SmithKline Beecham	UK	2,810	0.0
Hoechst	Germany	2,600	18.2
Ciba-Geigy	Switzerland	2,580	11.7
J&J	US	2,360	12.4
AHP	US	2,280	-3.0
Sandoz	Switzerland	2,250	8.7
Eli Lilly	US	2,090	16.8
Bayer	Germany	2,080	8.3
Pfizer	US	2,070	10.7
Rhône-Poulenc Rorer	France	2,030	7.4
Roche	Switzerland	1,950	19.6
Takeda	Japan	1,900	-23.9
Schering-Plough	US	1,490	6.4
ICI	UK	1,390	8.6
Marion M-Dow	US	1,370	3.0
Upjohn	US	1,360	3.8
Wellcome	UK	1,270	15.5

Source: Pharmaceutical Business Weekly industry estimates

research programme. Merck sees the joint venture as a partial answer to its own greatest R&D difficulty, managing the continuing growth of its superb research programme.

One long-term challenge for both companies will be managing the structural competition between parent and joint venture, both as worldwide competitors and as co-marketers in Europe. Amid the restructuring, there have also been some

more fundamentally important strategic alliances that have gone unnoticed.

These are joint ventures, licensing agreements and co-marketing and co-promotion deals which are now becoming the norm rather than the exception with new production launches, said Martyn Postle, pharmaceutical consultant with KPMG Peat Marwick. They were usually negotiated on a country-by-country basis, he added.

Although they did not hit the

headlines, in the long term their impact was likely to be a cornerstone to growth and development.

What is the future shape of the industry? Sam Isaly, of Mehta and Isaly, New York, said: "Early evidence shows that the few mega-mergers that have been completed have been a stunning success, and we anticipate further duplication. But there will be more of the Sanofi-Sterling deals."

In the UK, the question being asked is: what happens to ICI's pharmaceutical operation? There has already been much speculation, but until Lord Hanson makes a move the market can only guess.

A similar problem exists in the US, where Schering-Plough, Syntex, Warner-Lambert and Upjohn (everyone's favourite takeover candidate) are all vulnerable to predators seeking to enlarge their operations. Perhaps one or more of these will make a sizeable purchase themselves, or even a major strategic alliance.

The latest joint ventures are different, and give a fresh approach to current problems. If they succeed, they could become a model for the rest of the industry.

Alan Archer

Editor, FT newsletter
Pharmaceutical Business News

Generic drugs

When the patent expires

THIS MONTH ICI Pharmaceuticals announced that it would for the first time produce a generic (unbranded) drug. ICI's plan illustrates the ingenious moves made by research-based companies to hold on to as much as possible of the market for their best-selling products after the patents run out.

ICI will supply Tenormin, its beta-blocker heart drug, in generic form (under the chemical name atenolol) in the US when the main patent runs out in September. The UK company sold \$550m worth of Tenormin last year - half in the US.

When a blockbuster drug such as Tenormin loses patent protection, the manufacturer normally loses 50 per cent of its sales to cheap generic competitors within two years. ICI's strategy involves not only manufacturing its own generic atenolol but also providing an enhanced service - including, for example, a monthly newsletter - to patients who stay with full-priced Tenormin. Mr David Friend, chief executive of ICI Pharmaceuticals, hopes that the dual strategy will

"stop the loss of business at the 30 to 40 per cent level".

ICI's generic atenolol, made at its Puerto Rico factory, will initially be priced just 15 per cent below branded Tenormin. But the price differential will almost certainly increase when cheaper generic competitors come in.

A drug which has been off-patent for several years may cost as little as one quarter as much in its generic form as in its original branded version.

One reason why generic drugs are relatively cheap is that their manufacturers do not have to bear the high research, development and marketing costs of the manufacturers of the original branded equivalents. Another is that generic manufacturing is a highly competitive business with low profit margins, while the research-based pharmaceutical

industry is one of the most profitable of all manufacturing sectors.

Compared with the increasingly global research-based companies, the generic industry remains fragmented. Most generic drugs are still made by small local companies, although a few research-based multinationals also own generic companies.

Not surprisingly, generic manufacturers have made most progress in countries where the price of branded drugs is highest. They have more than 25 per cent of the US market (though the American industry has been hit by a scandal involving irregularities in the Food and Drug Administration approvals process for generics).

In most of northern Europe, generics have at least 10 per cent (by value) of the pharma-

ceutical market. In southern Europe, where governments hold down drug prices, their share is only 1 or 2 per cent.

UK sales of generic drugs were worth about £210m in 1990, according to Mr Alan Smith, secretary of the British Generic Manufacturers Association (BGMA). That was only 10 per cent of total pharmaceutical sales by value, although 43 per cent of all NHS prescriptions were for generics. The disparity shows how cheap generics are: their average cost per prescription is £1.42, compared with £6.77 for a branded drug.

The proportion of prescriptions filled by generics fell from 95 per cent at the birth of the National Health Service in 1947 to a low-point of 20 per cent in 1982. Generics have picked up steadily since then - and were given a special

boost in 1985, when the government introduced a "selected list" of medicines that doctors were allowed to prescribe on the NHS. Mr Smith believes that, given fair treatment by the government, generics can fill more than 60 per cent of all UK prescriptions by the mid-1990s.

Last year, when 43 per cent of prescriptions were for generics, 7 per cent were for patented branded drugs and the remaining 50 per cent were for off-patent branded drugs.

Mr Smith says that about half of the prescriptions currently written for off-patent branded drugs could be replaced in practice by the equivalent generics; the other half involve drugs that are too specialised, too complicated or too low-selling to make generic manufacturing worthwhile.

The UK generics industry



David Friend: a dual strategy

claims that every 1 per cent swing away from branded prescriptions saves the NHS £20m a year. The government puts the saving closer to £10m a year.

But in two significant areas the UK government is obstructing the spread of generic prescribing, according to the BGMA.

One is its refusal to pay for the NHS to follow other European health services and adopt "original pack dispensing". Current UK practice is for generic manufacturers to supply drugs in bulk packs, from

which the pharmacist pours a liquid or counts tablets into a smaller container. OPD means supplying medicines in ready-to-dispense sealed packs. The BGMA says OPD would give doctors the confidence to prescribe more generics - and this switch from branded drugs would more than cover the additional packaging costs of OPD (estimated at £25m a year).

The other issue upsetting the generics industry is a radical change in the changing system of the Medicines Control Agency, announced last month. The MCA, which licenses drugs in the UK, is to cut the one-off charges for registering a new medicine, and introduce an annual service charge for each medicine a company sells. The effect is to penalise generics companies, which manufacture a much larger number of drugs (typically 250 to 300) than the research-based companies.

Mr Smith says the new MCA charges will cost the generics industry £1.5m a year - a significant burden for a group of companies whose overall profits last year were only £5.3m.

The UK generics industry consists of eight substantial manufacturers - five of which made net losses last year. In addition, there are about 40 small generic companies (with sales below £10m a year).

However, the UK industry is now restructuring. There were two significant moves last year. Evans Medical and Thomas Kerfoot came together in the Medeva group. And the worldwide pharmaceutical merger of Rhône-Poulenc of France with Rorer of the US brought together their two UK generic subsidiaries, Berk and AFS.

The effect of those two mergers will be to reduce the number of significant independent players in the UK generics market from eight to six. The other four are: CP Pharmaceuticals, part of the Fisons group; H.M. Norton, acquired by ICI of the US last year; Cox Pharmaceuticals, owned by Hoechst of Germany; and Generics UK, part of the worldwide chain of generic companies owned by the Tabatnik family of South Africa.

Clive Cookson

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THE BRITISH PHARMACEUTICAL INDUSTRY HELPING TO KEEP BRITAIN HEALTHY

R&D: the big British-owned groups believe that better planning and co-ordination can reduce clinical development times

UK centre plans to be a global influence in the 1990s

MEDICAL DIRECTORS of 55 major pharmaceutical companies in Europe, the US and Japan have been asked to help a British study to try to identify the bottlenecks in clinical development which, since the 1980s, have helped to triple the total time it takes to develop a new drug.

This follows a pilot study by the Centre for Medicines Research, in which medical directors from six UK-owned, research-based pharmaceutical groups revealed that the clinical development phase has extended from three years in the 1960s to an average of seven years in the 1980s.

Clinical development is the most protracted and costly of the several phases of new drug development. The Centre for Medicines Research, mainly funded by the Association of the British Pharmaceutical Industries, at Carshalton, Surrey, believes tougher regulatory demands are not the only reason for the increasing cost of this phase. It has identified two others:

■ The need to produce clinical dossiers for international registration; and

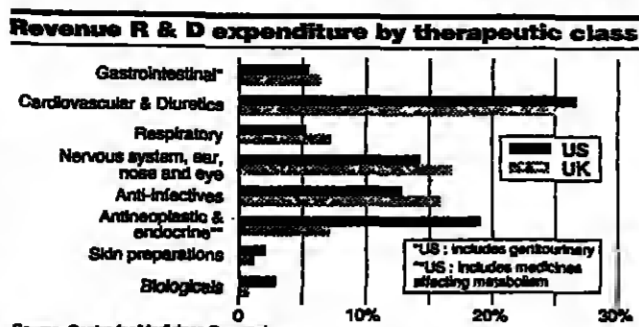
■ The extra clinical data required to satisfy international regulatory requirements, compared with the 1970s.

But the British six believe that, by better planning and co-ordination, they could reduce clinical development times. In the US, the centre finds, total drug-development time lengthened from an average of 6.5 years in the 1960s to 14 years by the early-1980s, with the clinical development phase taking 60 per cent of total development time. The situation is better in Europe, where data from Belgium, France, Italy and Sweden on development times shows that they were averaging between eight and 10.7 years in the late-1980s.

The Centre for Medicines Research, directed by Professor Stuart Walker, plans to become a major resource for the international pharmaceutical industry by the mid-1990s. To this end, it is internationalising its top management. It has recruited Mr Pierre Donaze, head of Gile-Cigy's pharmaceutical division in Basel, to represent all three major Swiss drug companies on its policy committee. In spite of the industry's development difficulties, 25 new chemical entities were introduced to the UK market in 1990, of which 16 have been developed by European companies and nine by US-owned firms.

This compares with 28 new approvals for the US market, of which 17 are products of US-owned companies and only six from European firms.

Of the 25 new products introduced in the UK, six are cardiovascular drugs, six are anti-in-



Source: Centre for Medicines Research

fectives, and three are for treating cancer. Ondansetron, from Glaxo, is a selective 5HT₃-receptor antagonist for the control of nausea and vomiting associated with cancer treatment.

It is also showing possibilities as a treatment for memory loss. The only novel biotechnology product to receive approval was epoetin alpha, a recombinant human glycoprotein hormone from the Swiss company Ciba, used for treating anaemia in patients on dialysis where it can avoid the need for blood transfusions.

"Biotechnology does not always lead to profits - it can lead to losses," a researcher for the Centre for Exploitation of Science and Technology (CEST), the London-based think-tank formed by 18 of Britain's research-based companies, including Glaxo and ICI, has commented this spring. Dr John Savin went on to mention the consumer-resistance to new biotechnology drugs - the products of genetic engineering, for example - because they were far too expensive.

Well-known examples include the genetically engineered versions of TPA, the clot-busting drug. Nevertheless, Dr Savin has written for CEST a study* of the commercial importance of antibody engineering, one of the latest techniques of biotechnology, which predicts that it will underpin sales worth \$9bn a year by the end of the decade.

The seven disease sectors expected to respond to therapeutic antibodies include some of the more intractable diseases such as AIDS, arthritis and cancer, and are shown in the accompanying chart. Antibody engineering can be characterised as third-generation biotechnology, still at the research stage and generating negligible sales at present. Antibodies are agents that can bind to and neutralise foreign molecules (antigens).

The aim is to achieve both high specificity and a very tight bond. Antibody engineering - genetic manipulation of antibodies - can improve both factors, in effect fine-tuning the antibody.

Britain invented the technology for making monoclonal antibodies in the mid-1970s, and Cambridge scientists have remained at the forefront of international research in antibody engineering, notably through the research of Dr Greg Winter, of the Medical Research Council's Laboratory of Molecular Biology. The MRC, which hopes to benefit from royalties on this research, asked CEST to show how the world valued the new technology.

CEST concludes that "antibody engineering is a critical strategic research area, capable of benefiting the UK economy through technology transfer to existing major UK pharmaceutical companies and to the emerging small-company sector." It believes the technology

will best be commercialised through new start-up companies to develop the initial discoveries, which will then form alliances with major pharmaceutical firms. It also concludes that the UK is best placed of all European countries to launch such research firms, and can develop a national competitive advantage this way.

But CEST finds the UK lead in fundamental antibody engineering to be very narrow, and forecasts that the US may be first to make wholly human monoclonal antibodies. It identifies such biotechnology research firms as Genex and Cytogen, and notes that the MRC itself has licensed 22 companies to work in this field.

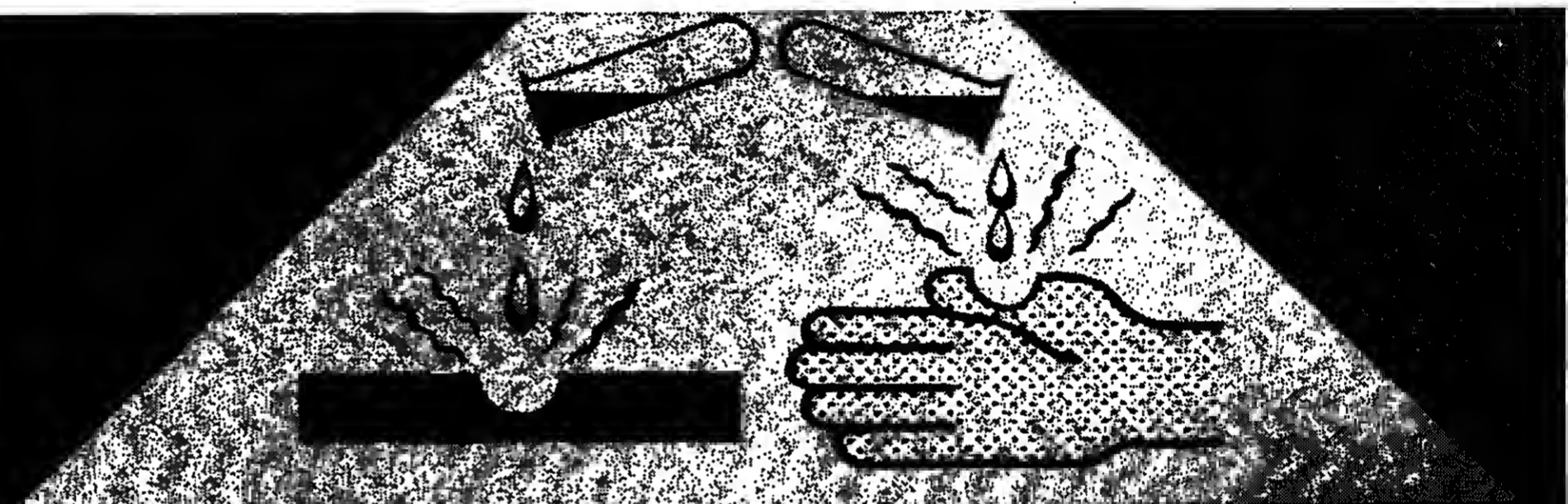
It expects the highly innovative culture of the US to reap greatest benefits from antibody engineering, leaving the UK with an estimated 7-8 per cent of the market by the year 2000, worth about \$400m. It might add another \$100m from sales of radio-isotopes attached to antibodies and from royalties on the MRC patents.

*The value of antibody engineering technology to the UK. Published by CEST, 5 Berners Road, London NE1 0PW. £115.

David Fishlock



A research laboratory of ICI Pharmaceuticals, one of the partners in the London-based think-tank CEST



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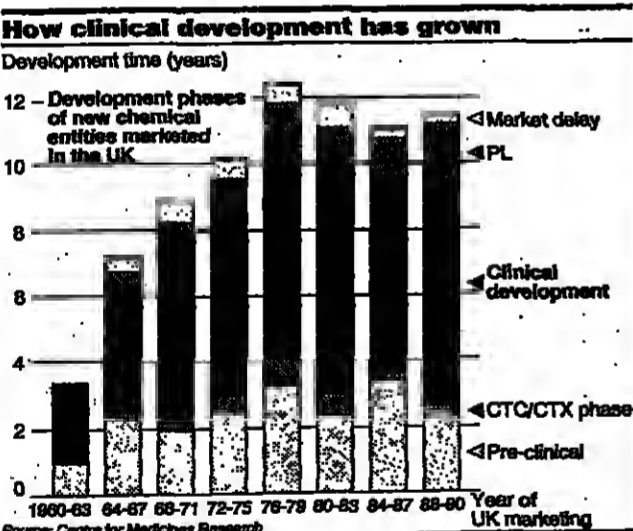
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PHARMACEUTICALS 4

Regulations: governments are starting to hack a way through the safety jungle, but...

Health-cost cuts are a new inhibition

PHARMACEUTICAL companies have to push their products through a thicker forest of safety and efficacy regulations than any other industry. Increasingly stringent regulatory requirements are a prime reason why the time taken to develop a new drug increased from an average of three-to-four years in the early 1960s, to 10-to-12 years in the late 1980s.

There are encouraging signs that governments are now beginning to hack back the jungle of safety regulations, particularly by harmonising different national requirements. And drug-development times are falling slightly from the 1980s peak.

On the other hand, companies now face a fast-growing new regulatory forest, sown by governments' determination to

hold down soaring health costs.

"Over the last couple of years, the requirements for getting the price you want have increased enormously," says Ms Linda Blimes, of Boston Consulting Group. "In addition

to their traditional medical dossier, companies are having to put together an economic dossier - which is becoming a major regulatory hoop."

Companies are having to justify the cost-effectiveness of new drugs, for example by showing that they reduce the time patients spend in hospital.

This is particularly important for drugs which are not clear medical breakthroughs but incremental improvements on what is already on the market.

Countries that have recently introduced new pricing regulations include the Netherlands, Germany, Australia and Canada. It is not yet clear whether

they will have an impact on development times, but they will certainly add to the costs of introducing a new drug.

Companies are having to balance the cost of delaying an introduction, while they gather economic data, against the risk that the drug will be placed in a lower price category without

the data.

Meanwhile, conventional medical regulations are being harmonised both within the European Community and on the global level.

A stream of EC directives since 1985 has brought some harmony to European drug-licensing procedures, but significant differences remain. The

length of delays in approving medicines varies considerably (with the UK Medicines Control Agency one of the fastest performers). And, as the Economist Intelligence Unit pointed out in a recent report on Europe's pharmaceutical industry, the emphasis in criteria may differ. For example, the UK and Denmark place most weight on controlled large-scale clinical trials, while Germany and the Netherlands emphasise the pharmacology of new substances.

The final form of a harmonised European licensing system is not yet clear, though the Commission wants to set up a central European Medicines Agency by 1993. There would then be two routes for safety testing and approving new drugs.

The decentralised route. All products derived from biotechnology or made by biological methods, including vaccines, would have to be tested by the new agency. Companies could also use the central agency, on a voluntary basis, for licensing conventional chemical drugs.

The first formal international conference on harmonisation will be held in November

would be a strengthened version of the voluntary system for "multi-state" drug applications which the EC has operated since 1986, through the European Committee for Proprietary Medical Products.

This has not worked well, because national regulatory agencies frequently object to submissions from other countries and the system has been plagued by long delays. According to a recent EC report, one application had not been settled after almost four years.

On the global level, the first formal international conference on harmonisation will be held in Brussels in November. It is being organised jointly by the EC, the US Food and Drug Administration and the Japanese Ministry of Health and Welfare, and by several trade associations representing the international pharmaceutical industry.

Total harmonisation would mean that a company would need to carry out only one set of scientific tests, animal experiments and human trials, in order to apply to register a new drug anywhere in the world.

In practice, some differences in clinical requirements will survive because medical practice and social conditions vary so much in different parts of the world. If one country insists on special clinical requirements, however, these must be based on rational criteria. Japan will no longer be able to insist that any new drug be tested on Japanese patients before it can be considered for approval.

The ministry of health and welfare, in Tokyo, has long been notorious for maintaining very different standards from the rest of the world - less to protect Japanese patients than to protect Japanese drug companies from international competition. But that attitude has changed remarkably over the last five years or so, as the Japanese companies have sought to expand overseas.

There are no global estimates for the total savings likely to come from bringing all drug licensing requirements into line. But the Centre for Medicines Research in the UK recently looked into one particular issue, the duration of animal toxicity studies. It concluded that, apart from carcinogenicity testing, there was no safety advantage in continuing toxicity tests for longer than six months.

The European Community has already adopted a six-month duration for toxicity testing, but the US and Japan insist that animal tests continue for 12 months. The Centre for Medicines Research estimates that if the rest of the world comes into line with the EC on just that one requirement, the industry will save \$100m a year - and use \$5,000 fewer laboratory animals.

Clive Cookson



Before a new drug reaches the dispensary, it is required to pass through a forest of safety and efficacy regulations

Marketing: anxiety over EC draft directive

Ban sought on gifts to doctors

BOTH THE prescription and over-the-counter sides of the industry are concerned about a European Commission draft directive on drug marketing.

The over-the-counter (OTC) drugs industry reckons that it has been the pawn in a long-running fight by the European Parliament to gain more power - or part of a wider move among EC groups to restrict advertising throughout the Community.

A parliamentary committee made hundreds of amendments to the directive which the industry saw as an attempt to ban the advertising of non-prescription pharmaceuticals by the back door; committee members complained of trade body over-lobbying, as the industry and consumer groups tried hard to get changes; and last month the Commission refused to accept nearly all the amendments - though the industry

still considers part of the directive illogical and is seeking changes.

Meanwhile, the commissioners have turned their fire on the relationship between doctors and drug companies' sales representatives - always a sensitive issue.

The directive, one of several on pharmaceutical trading in the EC, seeks to ban all "giving and receiving of gifts, pecuniary advantages and payments-in-kind" between sales representatives and doctors.

A survey by Justin Greenwood, senior lecturer in public administration at Teesside Polytechnic and past researcher

into the impact of reps on GPs' prescribing behaviour, found that both doctors and reps were unhappy with this practice.

The pharmaceutical industry is self-regulating, through the Association of the British Pharmaceutical Industry's code of practice. The ABPI says that the code allows "gifts as promotional aids that are inexpensive and relevant to the practitioner".

But allegations have been made of inducements being offered to doctors to prescribe a company's drugs or to take part in drug trials. One of Mr Greenwood's surveys was conducted among 262 doctors in the Trent

Health Authority area, the other among 182 drug reps throughout the UK. The replies suggested that doctors felt pressured into prescribing by reps who offered gifts, but that reps also felt pressured into offering doctors presents because some doctors threatened not to prescribe their company's drugs should they not provide such treatment.

The association's argument is that the proposed ban threatens to block sponsorship of conferences within the industry. Mr Ben Hayes, of the ABPI, says that about 70 per cent of conferences offered to doctors are paid for by companies. Professor Bill Inman, head of the Drug Safety Research Unit, at Southampton University, and a strong critic of doctor-rep "bribes", agrees that, with no other likely source of funds, such a loss of training would be detrimental to the profession.

Mr Greenwood's survey suggests that dissatisfaction with the doctor-rep relationship goes further: doctors did not trust the information that reps gave them, while the reps themselves felt they lacked doctors' respect. Many of the criticisms could be put down to poor training of reps - only 28 per cent of whom had any medical training, according to the reps' survey.

Several doctors voiced their interest in some form of independent drug advice, and Mr Greenwood says: "I have advocated the use of state reps in a greater role." But since government policy is for self-regulation, he believes such a move is unlikely, and suggests that instead one should work with the industry to help it improve its practices "as best it can".

Other proposals in the directive, relating to advertisements, affect the OTC industry, which advertises direct to the public.

The Environment, Public Health and Consumer Protection Committee spent about 18 months working on the directive, finally putting down about 200 amendments - "something of a record," according to a working group member of the Council of Ministers - which would have required all broadcast and print advertisements to carry large amounts of detail. This was already required to be on the label or pack-leaflet under the label and leaflet directive, discussed by the same committee.

Dr Hubertus Cram, head of the Association Européenne de Spécialités Grand Public, the European non-prescription drug trade body, says that these amendments were "nonsense" and "made practical advertising impossible" - they went "against reasonable consumer communication". "Nobody is capable of catching all that information," he adds.

Some MEPs on the committee seem to have been keen to ban drug advertising throughout the EC - it is presently banned in Denmark and Belgium - and were over-zealous in helping the directive around with these restrictions. Mr Ken Collins, chairman of the committee, says "the committee wanted a belt-and-braces job". Ursula Schleicher, of the committee, points out that for the Parliament to discuss the issue as widely as possible, all the amendments have to be put through on the first reading - new amendments cannot be introduced after that. And she agrees that several parliament

tary groups are seeking to ban advertising of certain products not advertised in their member states. The move to ban tobacco advertising, introduced last month, is an example, she says.

Sheila Kelly, of the Proprietary Association of Great Britain, the UK trade body, thinks that MEPs' frustration at the Parliament's lack of power leads them to try to put their stamp on directives by adding lots of detailed amendments. She points out that similar moves have been made on other directives. The Parliament's opinion can be ignored by the Commission and Council of Ministers.

This is essentially what happened last month. As Mr Collins had hinted was likely, the full Parliament threw out many of the amendments - and Martin Bangemann, vice-president of the European Commission, promptly announced that the only amendment that the Commission would accept was the compulsory reference to read the label and leaflet. This was in the original Commission proposal and is used by most EC countries.

One remaining wrinkle, as far as the industry is concerned, is the demand that advertisements must not mention the symptoms. Ms Kelly is confident that this will be overturned: "I think that was just a mistake. There is general recognition that it's just plain nuts."

Now the directive moves on to the Council of Ministers' working party, where further lobbyists will try to iron out the wrinkle. But one is left wondering what the point is of the committee spending a lot of time and effort, and getting the industry into a stew, to achieve very little. Perhaps the inter-governmental conference considering the EC structure should take note.

Elisabeth Tacey

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Portrait of a marriage

RPR takes the global stage

NEXT WEEK Rhône-Poulenc Rorer will celebrate its first anniversary. And the company believes it has plenty to celebrate.

Before the merger of the human pharmaceuticals arm of French chemical giant Rhône-Poulenc with the medium-sized US drugs outfit Rorer, both companies' future in the increasingly competitive world of pharmaceuticals looked shaky.

Rhône-Poulenc, while strong in its home market and some EC markets, had virtually no position in the world's two largest markets, the US and Japan. Moreover, it has a product pipeline which it was not really in a position to truly cash in on.

On the other hand, Rorer lacked the market position and infrastructure in Europe to be able to compete. Even in the US it is a long way behind such giants as Merck Sharp & Dohme and Eli Lilly.

With Rhône-Poulenc acquiring 68 per cent of Rorer, a new freestanding pharmaceutical company now exists which can truly claim to be a world player. Indeed, creation of RPR has produced a pharmaceutical operation which can boast sales that top \$3.5bn and an R&D budget of \$400m.

Moreover, it is ranked in the top three in Europe, and has vastly improved its presence in the US, the world's largest market.

Together we gained expanded geographic coverage, critical mass in research and development and significantly enhanced worldwide sales and marketing capabilities," revealed RPR's English-born chairman, president and chief executive, Robert Cawthorn.

If a company's pockets are deep enough, buying so-called critical mass is easy enough; the tough part is to leverage that position effectively.

Part of the birthday celebration will be dedicated to the apparent painless way the two companies have become one, although this is very much down to the fact that the partners wasted no time setting the wheels of integration into motion.

Mr Cawthorn, who was heading up Rorer Group at the time, had named his management committee in March 1990 - just two months after the



Robert Cawthorn: quick to name his management team

announcement by the two companies that they had agreed in principle to combine, and almost two months before Rorer got the green light from its shareholders to sell the 68 per cent stake to the French group.

"By July, management was in place up to four levels into the organisation," he added. The pace was so furious that, by the end of last year, the company was claiming that integration was complete in Europe, North America and the developing nations. Integration in Japan is just being completed.

Integration, however, is never a pain-free process. RPR's strategy involved organising worldwide industrial operations with corporate accountability. "Strategies to improve performance are conceived globally and implemented locally," said Mr Cawthorn.

Manufacturing was rationalised by identifying key sourcing facilities and investing in strategic sites to improve productivity and efficiency. Not surprisingly, this has included some divestments, although, RPR stresses, these were structured in such a way as to "ensure minimal disruption to the lives of employees at those sites".

Similarly, the task of organising the R&D function began at an early date. One key to

research efforts have been compartmentalised into French and English-speaking laboratories. RPR does claim it is looking for opportunities to move people across the Atlantic.

"Since promoting cultural diversity and blending management teams are key goals of the company, we have designed expatriation programmes to ensure that people who relocate adapt to their new environments quickly."

Whether RPR will emerge as a truly integrated French/American pharmaceutical company remains to be seen. First impressions tend to favour the view that it will be perceived as an American drug firm which happens to be owned by a French company.

RPR has retained the services of Mr Cawthorn, and the company's mission statement bears all the hallmarks of a US concern. The emphasis being placed on quality also has the US's fingerprints all over it.

Also, before the merger, Rhône-Poulenc encouraged its English-speaking staff to learn French, though that impetus seems to have run out of steam.

Underpinning the view that the French influence may not be as great as it should be, Mr Cawthorn revealed that Rhône-Poulenc was an important shareholder, but RPR as a freestanding pharmaceutical operation with its own mission statement.

The success or failure of the merger can be judged only by the impact on the bottom line.

Although it is still early, Mr Cawthorn revealed that RPR had achieved its first goal, to break even in 1990, in spite of significant one-off costs. This year the income target is \$328m, rising to \$462m in 1992, \$600m in 1993 and \$742m in 1994.

Nevertheless, Mr Cawthorn does believe that cross-cultural exchanges and increasing workforce diversity will be important to the future of the company. "We want to build a global business culture in which people on all levels of the organisation, regardless of location, can exchange ideas and skills with other areas of the company, and apply those tools in new ways to operate more effectively."

Mike Ward

TOUGH TIMES lie ahead for research-based pharmaceutical manufacturers in Europe. They are already under pressure from their pay masters - government and private health insurers - but new pressures are now coming from within the industry.

They are being challenged by their traditional partners, the wholesalers. This is most evident in Europe, with its ethical drug market of some \$50bn, where governmental efforts to contain health costs are at their most proactive, and where, as a result, the players in the competitive game are being encouraged to rewrite the rule-book.

In the past, the distribution of ethical drugs has traditionally favoured manufacturers. Once manufacturers and national health authorities had completed their registration and price negotiations, the marketplace was well defined - the manufacturers produced, the health providers prescribed, and, in the middle, wholesalers managed the flow of drugs between the manufacturers and their ultimate outlets, mainly the pharmacies. None of the players - manufacturers, wholesalers, health providers, pharmacies - had sufficient market power to rock the boat.

The changes that have occurred in the US in recent years show just how far the situation has evolved. More than 35 per cent of the US ethical drug marketplace is now negotiated, and contracted directly between the health-provider and the manufacturer. Health providers - hospitals, clinics and medical practitioners - have formed extensive and often overlapping buying groups with sufficient power to achieve significant price concessions.

This practice is increasing, and the competitive impact of it is obvious. The share of the market being taken by directly negotiated contracts is increasing by some 2 per cent per annum, with no clear plateau in sight.

This trend is starting to be duplicated in Europe. But there is one significant difference - the competitive stances taken by the players may not be the same. In the US, the wholesalers are essentially "partners" to the industry. The true single-market nature of the US does not give wholesalers the opportunities to act as effective "arbitrators".

In Europe, where markets are still local, there are many opportunities for arbitrage that are likely to endure for some time after 1992. Wholesalers are therefore beginning to position themselves on a super-

The distribution chain

Agenda set by wholesalers

national level, which will enable them to take increased advantage of this situation, and to position themselves with manufacturers as potentially aggressive customers, rather than as partners. The signs are manifest.

In each of the major European markets, 50 per cent of ethical drug sales are managed by three or less wholesalers. The only exceptions are Italy and Spain, and even here the trend is clear.

Pan-European associations are being formed: Tredimed, linking AAI (UK), Gehe (Germany) and OCP (France); PAG, linking Unichem (UK), OPG (The Netherlands), Egva-Wilweda (Germany) and Anzag (Germany); while other examples include ERPI, ORPHE and FPN.

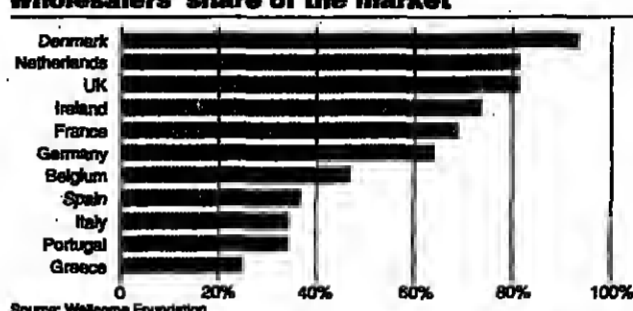
■ Cross-border investments

It is not surprising that the wholesalers are looking for strategies that strengthen their position in the distribution chain.

If the Single Market leads eventually to a greater rationalisation of product presentations, and to a harmonisation/centralisation of drug registration, their current pan-Europeanisation actions will reinforce their hands in a number of strategic areas - purchasing power, cost efficiency, parallel importation, generics (including wholesalers' own brands), national and cross-border tendering for the increasing level of contract business.

With the largest manufacturer (MSD) having no more than a 4 per cent market share, the pharmaceutical industry is one of the most fragmented, and yet manufacturers have

Wholesalers' share of the market



are increasing: OCP and CERP (France), Medicopharma (The Netherlands), Gehe and Schulze (Germany) have all been active, with the latter, for example, acquiring Chasfer in France.

■ Wholesalers are investing in generic and OTC manufacturers - Schulze in Ratio-pharm, and Gehe in Amchem.

■ Where allowed, wholesalers are investing in pharmacies or pharmacy franchises.

■ McKesson, the largest US wholesaler, whose \$7bn drug sales exceed the total UK market, has acquired some 10 per cent of Mediopharma, and has declared publicly its intention of becoming a major European player.

With net margins currently standing at 1.2 per cent of sales in many of their major mar-

kets, it is not surprising that the wholesalers are looking for strategies that strengthen their position in the distribution chain.

However, the drive for a Single Market, and the current plethora of governmental actions aimed at cost-containment, are combining to place greater competitive pressure on the manufacturers. The wholesaler-manufacturer "partnership" is undoubtedly one of the first props of today's market structure that governments will wish to put under increasing stress.

The potential consequences are recognised by both sides: wholesalers are making appro-

private reassuring statements about their planned and actual consolidation activities; manufacturers are starting to reflect on the high degree of dependence they have on wholesalers for access to the market. Those few with strong local market positions, such as Glaxo in the UK and Rhône-Poulenc Rorer in France, have started to reassess their relationships with their wholesalers.

Glaxo, for example, has started to transform its key wholesalers into contract distributors with what appears to be favourable financial consequences for both sides, though we have yet to see what could be the wider impacts - for example, in parallel imports.

For the majority of manufacturers, however, the game has still to be played, and the scope for acting in isolation of other players in the industry is limited. The unknowns are many:

□ How quickly will the Single Market become a reality and price transparency really start to bite?

□ When will parallel imports stop being an issue?

□ Is the single pharmacy law (in several EC countries) likely to be successfully challenged?

□ What stance will be taken by professional groups such as pharmacies and self-prescribing physicians?

□ Will hospitals and Regional Health Authorities ever compete with wholesalers?

□ Will a "European" (product) presentation ever be achieved?

□ Will twice-daily deliveries to pharmacies become a thing of the past?

□ What could be the evolution of alternative distribution networks, such as DILL and Federal Express?

□ What stance will the EC and/or local health insurers take on the issue?

□ What stance will be taken by other manufacturers?

During the next few years we can expect significant changes in the distribution of pharmaceutical drugs within Europe.

The wholesalers are taking a leading role in shaping the new order, and in challenging the traditional balance of power. Their objectives may well turn out to be in the long-term interests of the manufacturers, but at present it is the wholesalers who are setting the agenda. It would be foolhardy of manufacturers not to develop their own game plans.

Richard Platford

Coopers & Lybrand, partner, Pharmaceutical Sector Consulting Services



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Imagery: the public seems to like the industry, though it knows little about it

Life-savers preferred to chemists

DEPENDING ON who you talk to, the pharmaceutical industry is either the answer to all our problems or the sector which callously exploits human suffering for huge profits.

It's all a question of image. Yet the industry has been unable to do much to influence its public image, even though it could hit sales and multiply the regulations it has to comply with.

The gamut of opinion runs from the City investors through to political critics. Investors seem to love the industry, and have for some time relied on its high performance to bring in regular large returns on investment. One of their major worries, however, is the harm that stricter regulation, prompted by misread signals of public anxiety, can do to profitability.

Research by pollsters in the UK has shown that law-makers

After a campaign by the ABPI, among MPs, the percentage of favourable opinion rose from 46 to 59

have a much more jaundiced view than the voting public of the pharmaceutical industry – yet, ironically, the regulators believe they are responding to public opinion.

Indeed, when Mori polled members of parliament in 1986 only 46 per cent had an attitude described as very or mainly favourable towards the pharmaceutical industry. After a promotional campaign by the Association of the British Pharmaceutical Industry (ABPI), which targeted MPs, the percentage of favourable opinion rose to 59 per cent in 1990.

MPs have an excuse for misreading the public's view of the industry, because poll results show that public opinion does not follow the usual patterns. Generally, the more familiar the public is with an industry, the more likely it is to view it favourably. So the retail industry can be expected to score highly in both familiarity and favour.

In spite of scoring poorly in the familiarity stakes, the pharmaceutical industry does better than expected on "favourability". Indeed, the sector is only as well known as the nuclear and chemical industries, yet is much more highly regarded than either.

The most recent poll by Mori gives pharmaceutical firms a most-favourable rating of 47 per cent, compared with 20 per cent for the chemicals sector. Only 13 per cent of those polled said they viewed pharmaceuticals most unfavourably, while 33 per cent put chemicals in this category. Individual companies are now considering plans to conduct their own public-opinion surveys.

The life-saving reputation of pharmaceutical companies appears to play an important part in boosting the sector's image. When those polled were asked to describe the industry, many selected positive mes-



Mysterious but popular: polls have revealed unexpected attitudes towards the industry

sages, such as "life-saving", rather than some of the possible negative responses.

Yet, ironically, it is not for the life-saving qualities of their products that companies such as Glaxo receive fan mail, but for those medicines that have an impact on the quality of life. Glaxo had received letters of thanks from cancer patients

who have been given a drug that stops the nausea associated with chemotherapy, a company spokesman said.

Sometimes, however, a drug that treats a life-threatening condition can give a company a public-relations headache. Soon after the launch of the AIDS treatment, zidovudine, Wellcome encountered hostile

criticism. Aids pressure groups criticised the company for the cost of the treatment.

As zidovudine received approval so quickly, the initial hostility caught the company on the hop, but eventually, by meeting the critics, Wellcome was able to put over its side of the story. "The problem was not that the drug is expensive, but that a lifetime treatment pushes up the cost. One capsule of zidovudine is no more expensive than many other drugs," a spokesman explained.

One of the problems facing European pharmaceutical companies is that the level of promotional activity is restricted, and certainly much more stringent than in the US. Promotion by UK companies, for example, is held in check by three sets of legislation: the 1968 Medicines Act and two voluntary industrial codes of practice. These stipulate what companies may and may not say in promotional material.

In the UK, most information about medicines is directed at the doctor rather than the patient. In the US, however, drug firms will sponsor advertisements that give the impression of being public-health information. Although the drug company's product will not be mentioned, the potential patient is urged to have his

complaint seen to by a doctor. Normally a prominent company logo is present on the screen.

Inability to target consumers directly means that misunderstandings, such as that over zidovudine, can occur in the UK. Nevertheless, Wellcome feels it has now got its message over to the public. Indeed, educating the general public has had enormous benefits for the pharmaceutical industry in a number of instances.

In Germany, the trade association BPI has been targeting the general public for some time, and is seeing an increase in positive responses to the sector. Similarly, Hoechst has been educating its neighbours about the new techniques of genetic modification. Hoechst has been trying to pursue plans for an in-house production facility which uses genetically modified organisms. The company originally asked for per-

Being a good neighbour has helped ICI Pharmaceuticals to win support from Macclesfield council

mission to proceed in 1984, but now the earliest the plant is likely to be ready will be 1993.

"The task has been hard, because many people find it difficult to differentiate between science fiction and industrial reality," a spokesman added. But by pursuing dialogue with the plant's detractors, the company has managed to persuade its neighbours that the unit provides no extra dangers.

Being a good neighbour has helped ICI Pharmaceuticals to win support from Macclesfield borough council, which houses the company's production facility. ICI spends a great deal of time supporting local activities in the borough, spending some £75,000 on local issues.

Much of ICI's opinion-influencing work is done through organisations such as ABPI and EFPIA, the European Federation. These organisations spend more of their time lobbying politicians about industry issues than targeting the general public.

ICI Pharmaceuticals does not seem to have the same poor environmental image as other ICI divisions elsewhere in the UK. Indeed, it is ironic that, while the chemical industry is held in such low regard, the pharmaceuticals companies do not seem to be tarred by the same brush. Many pharmaceutical companies also have chemicals operations, although much smaller than Hoechst and ICI, but often seem happy to keep quiet about it.

Although there is no intention to hide the fact, it is certainly true that both the City and the public much prefer a pharmaceuticals company to a chemicals one – contradicting the notion that a rose would smell as sweet by any other name.

Mike Ward

Manufacturing

Pruning old plants

THE CURRENT emphasis on manufacturing is a sure sign of the maturing of the pharmaceutical industry. Once dominated by R&D-driven growth and by aggressive marketing to deliver high margins, it is under pressure and poised for major change.

One important consequence is the demise of the old "one market, one factory" approach, which has paid handsome dividends for many years. Indeed, it is becoming all too clear to many companies that the gratitude from governments for local manufacturing investments, in the form of rapid product approval or the award of a favourable price, no longer offsets the penalties of an inefficient manufacturing operation.

These changes represent more than just a simple rationalisation of facilities; they underlie a fundamental shift in the management of the business, away from national market-dominated structures toward an integrated, pan-European approach cutting across all business functions.

For many of the larger companies, this process will undoubtedly be painful. Nevertheless, a growing number are already taking the bull by the horns: SmithKline Beecham, at its Limburg plant; Rhône-Poulenc Rorer, with its closure of two German plants and further closures in the UK and Italy; Ciba Geigy, with its closure of three plants, at Milan, Barcelona and Lyon; and, most recently, the Wyeth/Whitehall restructuring of its European production base.

Each move can stimulate a political furor: witness the intervention of Valéry Giscard d'Estaing, the former French president, in the debate about Merck Sharp & Dohme's operations in the Auvergne.

Economic factors provide compelling reasons for such a revolution in the industry. The

European Commission has estimated that most pharmaceutical plants operate below two-thirds, and often below half, capacity.

Such manufacturing inefficiency represents some \$450-750m of lost revenues across the industry in Europe. For a typical multinational company with 12 formulations plants in Europe, this amounts to some \$10m of waste. Even higher savings could be achieved by adopting a systematic approach to restructuring manufacturing and formulation activities, and to streamlining distribution and packaging.

Ironically, such financial incentives are not the main driving force behind the major rationalisations already under way. Political and environmental pressures are chiefly responsible – the stick being ever-more-potent than the carrot in the dismantling of national-oriented structures.

The drive to create a single European market has reduced national governments' incentives to promote local manufacturing, and has prompted stricter environmental legislation that significantly affects manufacturing practice. The "cost plus" pricing formula that has pervaded several markets is being eclipsed by the EC's price transparency directive, intended to smooth out the massive price differences for many products sold in different countries.

Environmental factors are the second key factor in these developments. As environmental standards become increasingly stringent across the board, so do the costs of compliance with these regulations.

Solvent recovery systems and air pollution control measures are virtually essential at many formulations plants. At plants manufacturing intermediates or bulk active ingredients, the environmental protec-

tion investment needs are even higher. Upgrading existing facilities can cost as much as 40 per cent of new manufacturing capital expenditure.

For operations involving the transport of intermediates or semi-finished materials between plants, environmental costs can be even higher: the submission of toxicological data for approval to transport chemical intermediates, potentially costing in excess of \$500,000 a year per molecule.

Identification of plants to be phased out poses considerable problems for top management in extreme cases, management is paralysed by the threat of performing such an unpleasant task and by the uncertainty about which sites to target. Moves are easiest where a company has more than one facility in one market, as was the case in Hoffman La Roche's transfer of its Barcelona activities to its Madrid site.

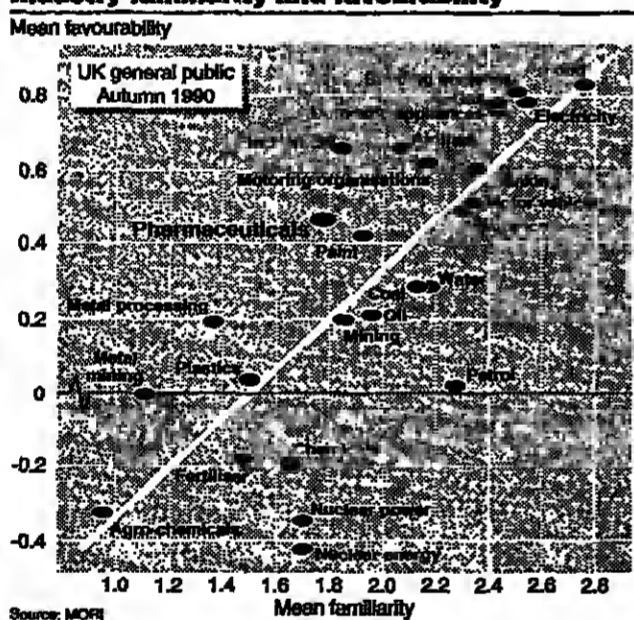
While generalisations are difficult, it is likely that a multinational enterprise will eventually have three to five manufacturing plants in Europe, out of a total of up to 10 plants worldwide. And it is likely that each plant will be specialised in terms of chemistry and/or formulation type.

It may take five to 10 years to achieve this type of configuration, even given the current wave of rationalisation. Nevertheless, increasing pressures on a rapidly maturing industry will inevitably result in a tight squeeze on pharmaceuticals manufacturing over the next decade.

Anthony Walker and Michael Esposito

Members of the pharmaceutical practice, of management consultants Arthur D Little

Industry familiarity and favourability



Source: MORI

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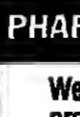
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INTERNATIONAL COMPANIES AND FINANCE

Rebound forecast in global profits

By Peter Martin

EARNINGS estimates for the leading economies predict a sharp rebound in corporate profits next year for all but Japan and Italy, according to consensus analysts' forecasts gathered by a US brokerage house.

The data, gathered by the IBES research service of Jones Lynch & Ryan, is based on thousands of individual company earnings forecasts from analysts around the world. They show that earnings per share growth of large companies is forecast to rise from 2.8 per cent this year to 21.9 per cent next year in the UK, from 0.9 per cent to 25

	CONSENSUS EARNINGS ESTIMATES			
	Eps growth 1991 (%)	Eps growth 1992 (%)	P/E ratio 1991	P/E ratio 1992
Canada - TSE	2.1	37.8	18.3	11.8
France - CAC 40	2.9	14.5	11.5	10.1
Germany - DAX	0.2	7.9	13.8	12.6
Italy - BCI	13.5	7.9	18.2	11.4
Japan - Nikkei	1.4	3.0	26.4	25.3
UK - FT-SE	2.8	21.9	13.1	10.7
US - S&P 500	0.9	25.0	15.7	12.6

Source: IBES as at June 20 1991 (local currencies)

per cent in the US; from 0.2 per cent to 7.9 per cent in Germany; from 2.8 per cent to 14.5 per cent in France; and from 2.1 per cent to 37.8 per

cent in Canada. Earnings growth will be much more sluggish in Japan, rising from 1.4 per cent on these estimates to 3.0 per cent.

In Italy, earnings growth will slow, from 13.5 per cent in 1991 to 7.9 per cent in 1992.

The figures suggest the FT-SE 100 index is selling on a 1991 price earnings ratio of 13.1 and a 1992 p/e ratio of just under 10.7. The S&P 500 has p/e ratios of 15.7 and 12.6; those for the German DAX index are 13.8 and 12.6; and Japan, where p/e ratios are traditionally high, has ratios of 26.4 for 1991 and 25.3 for 1992.

The estimates are based on shares in leading stock market indices, as at the end of June. The FT will carry the IBES estimates in this form every quarter.

Elf posts 7% rise in first-half earnings

By George Graham in Paris

ELF AQUITAINE, the French state-controlled oil company, has reported a 7 per cent advance in first-half earnings. The company said net profits rose to an estimated FF5.2bn (\$881m), compared with FF4.86bn in the same period of 1990.

Elf officials said the results were very satisfactory and demonstrated the complementarity of the group's different divisions. They said the difficulties of the petrochemicals division had not damaged Elf's other chemicals activities, particularly its downstream plastics and specialty chemicals businesses.

Operating income remained flat at FF5.9bn, while net income before non-recurring items advanced slightly to FF4.3bn.

Elf said the six-month period had included a capital gain on the sale of Bys, its town heating business, to the Générale des Eaux water and services group. The same period of 1990 had also included FF800m of capital gains.

Crude oil prices were stable for most of the period, averaging \$19.76 per barrel, Elf said, but the strengthening of the US dollar from an average of FF6.13 in January to an average of FF6.85 in June had benefited the French group.

Quantities of oil sold fell slightly in comparison with the same period of 1990 due to delayed liftings in the Gulf of Guinea and a decrease in production from the Alwyn field in the North Sea caused by maintenance work.

Refining and retailing operations experienced strong margins, Elf said, especially in the first quarter. The Elf group continued to expand rapidly in the first half, with the \$1.35bn acquisition, in partnership with Enterprise Oil, of the North Sea assets of Occidental Petroleum, as well as the NK1.9bn (\$278m) takeover of Norwegian independent Noco. It has also invested heavily in its refining operations, particularly to develop its capacity for lead-free petrol.



Baron Bich: family holds 46 per cent of the capital

Bic breaks off talks with unidentified conglomerate

By William Dawkins in Paris

BIC, the world's leading producer of ballpoint pens, disposable razors and lighters, yesterday announced that talks with a prospective partner had broken off, just eight weeks after they started.

The French group, controlled by its two founding families, was approached at the end of May by an unidentified conglomerate keen to buy a minority stake. Stock market speculation has suggested Sara Lee, the US consumer products group, and Gillette, Bic's main competitor in the US shaver market, among the possible candidates. But Bic has declined to name its suitor.

Bic's share price opened at FF681, 5.4 per cent below the previous day's close, but ended the day at FF690.

The market had speculated that a partnership might clarify how Baron Bich, the group's 76-year-old chairman, was planning to hand on management responsibility.

A Bic spokesman would not explain why the talks broke down, but confirmed the conglomerate had been negotiating to buy a 10 per cent stake, held by Bic subsidiaries. Bic has been unable to use the voting rights on these shares since the beginning of this month, under a recently introduced French law against so-called *autocontrôle*.

Of the rest of the capital, 46 per cent is held by the Baron Bich family, 13 per cent by the family of Mr Edouard Buffard, with remaining 31 per cent in public hands.

Bank buys Swedish Match stake

By Helg Simonian in Milan

MONFORTE, a little-known Italian merchant bank jointly controlled by Mr Camillo De Benedetti's Paleocapa holding company and the Ferruzzi group, has bought 10 per cent of Swedish Match, the international match group.

A price for the deal has not been disclosed, but the value of the stake is estimated at L25bn (£18.6m).

The shares are part of equity held by a group of banks - including Citibank and Paribas

- which were involved in a management buy-out at Swedish Match last year.

Swedish Match is the world's largest producer of matches, operating in around 40 countries, with sales of about \$500m last year.

The company, which was established at the beginning of this century, is believed to have around 30 per cent of the world market for matches and 15 per cent of the market for cigarette lighters.

Buoyant SBC reports 25% rise

By William Dufforce in Geneva

SWISS BANK Corporation, Switzerland's second largest bank, yesterday reported a 25 per cent improvement to SF906m (\$585m) in its first-half operating profit before write-offs, provisions and losses.

Provided the stock market situation remained favourable, and the dollar stayed firm, the consolidated and parent bank cash flows for 1991 as a whole should be well ahead of last year's figures, SBC said.

Group cash flow fell 18 per cent to SF1.63bn in 1990 while the parent bank's cash flow was 0.9 per cent down at SF1.43bn.

In spite of its confident forecast of higher earnings this year, SBC warned that with most industrialised countries experiencing weak growth and with an economic downturn in Switzerland the need for write-downs and provisions was likely to rise.

Trading income and net interest earnings were the main contributors to the strong first-half growth in the bank's operating profit. Net interest earnings at SF829m were 7.5 per cent ahead compared with the first six months of 1990 while income from commissions improved 6.4 per cent to SF752m.

Portfolio management, custody and syndication fees had recorded particularly strong growth, SBC said. But brokerage receipts failed to match last year's level. Currency and securities trading and fiduciary business generated substantially higher revenues.

An 8.6 per cent rise in operating costs during the first half is attributed to heavier tax charges and an inflation-prompted rise in personnel costs.

SBC's assets contracted during the second quarter to SF171.7bn to give a first-half net increase of 3.1 per cent over the end-1990 level. Interbank lending was scaled back by almost 20 per cent, credit business lost momentum, while lending to customers rose 0.4 per cent to SF104.5bn.

On the liabilities side interbank deposits were also reduced sharply by 11 per cent, while non-bank deposits showed little overall change.

GEC-Alsthom posts flat earnings for year

By George Graham in Paris

GEC-ALSTHOM, the transport and power engineering company jointly owned by France's Alcatel Alsthom and General Electric of the UK, has posted flat earnings for the year to March 31. It was the second full-year reporting period since the formation of the company.

GEC-Alsthom said net profits for the year totalled Ecu247m (\$216.6m), compared with Ecu246m in the previous year. Pre-tax operating earnings advanced 18 per cent to

Ecu402m (\$352.6m), including Ecu141m of financial income, a 10 per cent increase on the previous year.

The group, whose businesses include the former power systems division of GEC and the TGV high-speed train business of Alsthom, said turnover in the 1990-91 year was Ecu6.98bn, while new orders amounted to Ecu8.4bn.

By March 31, the company's outstanding order book showed an increase of around 13 per

cent to Ecu13.2bn.

Sanofi, Elf's pharmaceuticals and cosmetics subsidiary, announced that its first half sales had remained flat at FF9.55bn (\$1.6bn), with an advance in health care products offsetting an 11 per cent decline in perfumes and beauty products.

The company said overall sales of health care products had risen 3 per cent to FF5.15bn, but this was largely

because of an 11 per cent rise in Europe outside its domestic French market.

Sales to the Middle East and North Africa dropped by 31 per cent.

In the perfumes and cosmetics sector, sales dropped 18 per cent in the first quarter but recovered to close to last year's levels in the second quarter. Sanofi said its Oscar de la Renta and Van Cleef & Arpels lines recorded higher sales growth.

Bankers agree Brent Walker refinancing deal

THE financial restructuring of Brent Walker inched forward yesterday as all 47 banks in the main banking syndicate agreed in principle to the UK leisure group's refinancing, writes Maggie Urry in London.

However, some banks are still objecting to a requirement to put new money into the group, whose debts exceed £1.3bn (\$2.17bn). A loan of a further £70m of fresh capital is part of the plan, and £20m has already been lent. Fewer than five banks have still not contributed fresh money.

Once that issue is settled, the group must address other conditions which the banks are seeking to impose. Mr Ken Scoble, the new chief executive of Brent Walker, said last week that none of these conditions was insurmountable.

ZF to build plant in east Germany

By Leslie Collett in Brandenburg

A LEADING west German vehicles components manufacturer, Zahnradfabrik Friedrichshafen (ZF), plans to build one of Europe's most modern gearbox factories in east Germany.

Mr Klaus Peter Bleyer, chairman of the board of ZF, said the company would build the new plant at Brandenburg, near Berlin, next to the east German components-maker Zahnradfabrik Brandenburg, which ZF recently bought from the Treuhand privatisation agency.

ZF will transfer production of gearboxes for light trucks from its factories in Friedrichshafen and Schwäbisch-Gmünd in southern Germany, to Brandenburg, although without any job losses, he said. Mr Bleyer said ZF would invest DM50m (\$29.4m) in the

east German plant over the next five years and had committed itself to retain 600 people out of the original workforce of 3,000.

The sale of the gearbox company to ZF was a major boost for the city of Brandenburg which is burdened with a large, inefficient steel plant which is threatened with closure.

The east German gearbox company had 3,000 employees in January last year when it was still part of the IFA truck Kombinat in Ludwigsfelde. Nearly 1,300 people lost their jobs in the company by last October and several hundred workers will take early retirement, while jobs for 250 will be found with other companies. Daimler-Benz is building a large truck factory at Ludwigsfelde outside Berlin.

Mr Bleyer said added capacity was not needed at a time of depressed demand worldwide for cars and trucks. Instead, the aim was to modernise production facilities and this could be best achieved in the east.

He said ZF Brandenburg could also supply spare gearboxes for east Germany's IFA trucks, which in the past were exported to eastern Europe as well as to several armies in Africa.

Sales of DM30m by the east German company were expected this year, rising to between DM70m and DM80m next year. A first batch of gearboxes has just been sent to Italy from the Brandenburg factory.

ZF exported nearly four-fifths of its own production which was worth DM6.2bn last year.

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Den norske Bank PLC

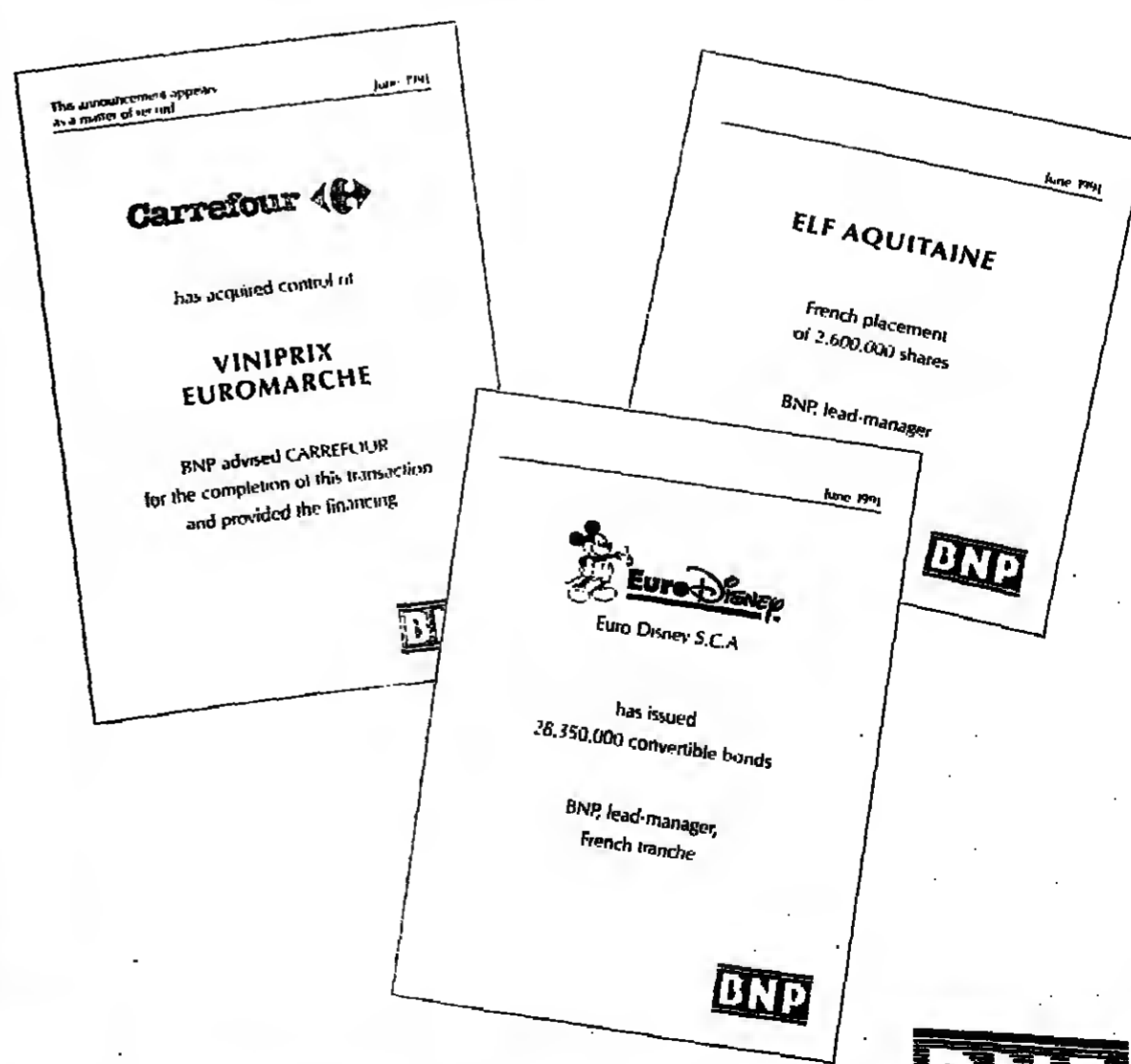
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BNP capital markets operations

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INTERNATIONAL COMPANIES AND FINANCE

Board shake-up at American Express

By Alan Friedman in New York

AMERICAN EXPRESS, the US travel and financial services group that has been facing dropping profits, yesterday moved to create a new top management structure by naming Mr Harvey Golub, a vice-chairman, as president of the company.

The appointment was made by Mr James Robinson, who has been criticised by some Wall Street investors for never having named a successor to Mr Louis Gerstner, the company's president who left American Express in the spring of 1989 to head RJR Nabisco.

Mr Robinson, who remains chairman and chief executive, is also setting up an office of the chairman, a new entity to which the heads of principal subsidiaries will report.

The executives reporting to

the new office include the heads of the Travel Related Services (TRS) card and travel services business, the IDS financial services unit, the information services division, Shearson Lehman Hutton and the American Express bank subsidiary.

Mr Robinson said the naming of Mr Golub "means there are now four eyes and four hands on the job". He said the appointment does not, however, mean the chiefs of subsidiary companies will report to Mr Golub instead of himself.

"We are not splitting up line responsibility. Everybody will report to both of us and I, as chief executive, will have the final decision."

The 51-year-old Mr Golub made a name for himself by running American Express's

successful IDS Financial Services subsidiary in Minneapolis. He will remain chairman of IDS.

Mr Michael Blumstein, an analyst at Morgan Stanley, said there had been "some dissatisfaction in the investment community that a company the size of American Express does not have a Number Two executive". Other analysts have suggested Mr Robinson, whose philosophy has been to decentralise executive authority, has never really wanted a strong right hand.

Mr Robinson acknowledged there had been criticism from investors, particularly in the year after Mr Gerstner resigned in 1989. But he said the company has gone through "an evolutionary process and we are now formalising a

structure that has been in place for some time."

Mr Golub has, in effect, been working as Mr Robinson's chief trouble-shooter since last year, when he helped to reorganise the troubled Shearson Lehman Hutton securities house. He has recently spent half of his time working with Mr Robinson in New York.

Among the most important challenges facing the new top manager will be the increasingly competitive pressure facing American Express in the charge card market.

In the first quarter of this year, the charge card and travellers' cheque unit suffered its first drop in quarterly earnings in nearly a decade. The second quarter results, although not as poor as the first, also show a decline.

Cost-cutting pays off at Sears, Roebuck

By Barbara Durr in Chicago

COST-CUTTING in its core merchandise group has begun to produce improved results at Sears, Roebuck, the world's largest retailer. It reported second-quarter income of \$239.3m, or 70 cents a share, after a deferred tax charge.

Without the charge, income was \$303.4m, or 88 cents, up 27.5 per cent on the same period last year, when income was \$237.9m, or 69 cents.

The deferred tax charge of \$64.1m arises from accounting restrictions on recognising tax assets of the company's Allstate Insurance group. New rules expected to take effect in 1992 would allow the group to recover the previous charges.

Consolidated quarterly revenues were \$14.05bn, up 1.7 per cent from \$13.85 last year.

In the merchandise group, second-quarter income increased to \$156.9m, from \$110m last year, though revenues declined to \$7.59bn from \$7.88bn.

The recession continued to affect sales, particularly of durable goods, which account for about two-thirds of Sears, Roebuck's domestic retail revenues.

The profit improvement came largely through cost reductions, including less advertising and lower distribution and selling expenses, achieved largely by cutting the workforce. The merchandise group's selling and administrative costs declined to \$2.13bn from \$2.31bn.

The company's Dean Witter Financial Services group contributed second-quarter net income of \$90m, compared with \$88.2m last year. Allstate Insurance's income, before the deferred tax charge, was \$139.8m, down from \$142.2m. The Coldwell Banker Real Estate Group reported a loss of \$3.1m for the quarter, against an income of \$7.3m last year.

For the first half of 1991, Sears, Roebuck's consolidated net income, after the deferred tax charges, was \$442m, or \$1.29 a share, compared with \$344.2m, or \$1.00 last year. Excluding the charges, net income during the first half was \$544.6m, or \$1.58 a share.

Record quarterly returns at American Barrick

By Bernard Simon in Toronto

AMERICAN Barrick Resources, the Canadian gold producer, has posted record quarterly earnings and significantly raised its estimate of 1991 output.

The Toronto-based company, which last week called off merger talks with Newmont Mining of the US, lifted second-quarter earnings to US\$24.6m, or 16 cents a share, from US\$14.4m, or 11 cents, in the second quarter, far above prevailing market prices. Barrick has hedged its entire output up to 1993, and three-quarters of 1994's production.

Operating costs dipped to \$197 an ounce from \$218 an ounce a year earlier. Cash costs, which include the cost of removing overburden at Goldstrike, fell to \$277 from \$334 an ounce.

Goldstrike's second-quarter output was 135,600 oz, compared with 110,200 oz in the previous three months. The mine now contributes two-thirds of Barrick's total production from six mines in the US and Canada.

Besides rising production from Goldstrike, Barrick has benefited from its active hedging programme and from lower operating costs. It realised an average price of US\$436 per oz in the second quarter, far above prevailing market prices. Barrick has hedged its entire output up to 1993, and three-quarters of 1994's production.

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Besides economies of scale, Mr Bob Smith, Barrick's president, ascribed this improvement to unexpectedly high grades and improved efficiencies at the mine.

Barrick has declined to discuss reasons for the termination of the merger talks with Newmont. Mr Smith said he is still confident of eventually reaching a co-operation agreement with Newmont on development of the Deep Post deposit on the Carlin Trend, where the Goldstrike property is located.

With exploitation of the Post orebody still some time away, Mr Smith said that both companies feel the benefits of co-operation can be realised by a more limited agreement "down the line" rather than an immediate merger.

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Liz Claiborne disappoints Wall Street

By Karen Zagor in New York

LIZ CLAIBORNE, the US apparel company, yesterday disappointed Wall Street by turning in weaker-than-expected second-quarter earnings and warning that gains in the second half would not be as strong as those posted in the first half of the year.

Although Liz Claiborne's results are exceptionally strong at a time when the rest of the industry is suffering from the retailing slump, the company's shares tumbled \$7

to \$41.4 in active trading after a delayed start yesterday morning.

Net income for the quarter rose 13 per cent to \$39.5m, or 46 cents a share, from \$34.9m, or 40 cents, a year earlier. Sales jumped 22 cent to \$416m from \$340.5m.

Mr Samuel Miller, senior vice-president finance, said: "In view of the continuing difficult and unsettled retail environment, the company is most gratified to have achieved

record sales and earnings. While we expect that sales and earnings for the remainder of 1991 will exceed our exceptionally strong showing during the last half of 1990, management currently believes that in percentage terms, these second-half increases will not be as large as those experienced in the first half of 1991."

Mr Miller said that there was still no sign of the long-awaited pick-up in US retailing in the

second half. "May was a good month in the US, but June and July were not good in retailing."

According to some analysts, there is also concern that US retailers are trying to shift the risk of inventories back to the manufacturers.

For the first half, Liz Claiborne's net income grew 15 per cent to \$100.5m, or \$1.16 a share, from \$87.5m, or \$1, a year earlier. Sales grew 21 per cent to \$812.2m from \$761.1m.

Share dealings suggest takeover threat for MUI

By Lim Siong Hoon in Kuala Lumpur

MALAYAN United Industries, the Malaysian conglomerate threatened by a takeover, may be facing several hostile bidders who have accumulated a combined shareholding of more than a 13 per cent, according to details issued to the Kuala Lumpur Stock Exchange.

Berjaya, the property, lottery and construction materials group belonging to the Inter-Pacific conglomerate of Mr Vincent Tan, has added 5.1 per cent to its 2.1 per cent shareholding. On top of the M387.9m (US\$31.6m) purchase, Berjaya also said it has an option, expiring in three months, to pick up a further 2.9 per cent to give it a total of 10 per cent in MUI.

Another mysterious buyer to have emerged is Sanorex, virtually an unknown company until it bought a 3.5 per cent shareholding from IGB Corporation, a property group hostile to MUI. Sanorex is paying M\$61.5m for the 22.7m shares.

The purchases by Mr Tan and Sanorex as well as Berjaya's call option would transfer 13.5 per cent in MUI to bidders out of the reach of Mr Khoo

Kay Peng, MUI's chairman and chief executive. Last month, IGB offered to sell for M\$228m its 13 per cent to Mr Khoo. He rejected the offer and said that MUI "will not succumb to any threat from any quarters".

MUI is currently valued at about M\$1.7bn.

Antah, the Malaysian investment group, has agreed to sell another 10 per cent of its stake in Arab-Malaysian Merchant Bank, the country's largest merchant bank.

The M\$115.5m deal with Temerloh Rubber Estates will strengthen control of the bank by Mr Azman Hashim, a prominent banker who has the largest shareholdings in both Temerloh and Arab-Malaysian.

Mr Azman plans to transfer 40 per cent of the bank and other stakes in three more companies to Temerloh, by restructuring the latter through a series of share exchange, loan stock and cash transactions worth M\$483m.

Antah's sale, which gives it a M\$28.5m net gain, followed its 3.4 per cent investment of the bank last month for M\$42m. The group has said it will also sell the 3.4 per cent balance it still has in the bank.

NWA closer to control of Trump Shuttle

By Nikki Tait in New York

NORTHWEST Airlines, the fourth largest carrier in the US, yesterday moved closer to operational control of the Trump Shuttle, when it signed an agreement in principle with the airline and its bank lenders.

The agreement outlines the general structure under which NWA will manage the east coast shuttle, which flies between Washington DC, New York and Boston.

Trump Organisation, the New York-based gaming and property company run by Mr Donald Trump, acquired the shuttle from Frank Lorenzo's Eastern Air Lines, with the help of \$380m of loans arranged by Citibank - \$135m being a personal line of credit to Mr Trump plus a \$245m facility.

As part of the restructuring of Mr Trump's personal debts and guarantees earlier this year, it was envisaged that the Shuttle stock would be transferred to "an entity designated by the bank", and that NWA would enter an agreement for at least five years to run the operation.

US QUARTERLIES . . . US QUARTERLIES . . . US QUARTERLIES

ASHLAND OIL said its fiscal 1991 results were not likely to match last year's \$122.1m, or \$3.27 a share, because of the impact of the Gulf war and the recession. However, the petroleum refiner said it could still have a respectable year.

The group earned \$66.7m, or \$1.19 a share, in the third quarter to June 30, down from the year-ago's \$100m, or \$1.79 a share. Revenues for the period rose to \$2.31bn from \$2.24bn.

Ashland said its petroleum and chemical segments led third quarter earnings with \$79.5m and \$26.6m, respectively.

CUMMINS ENGINE, one of the world's leading diesel engine-makers, incurred a second-quarter loss of \$17.2m, equal to

\$1.29 a share. This compared with net income of \$6.1m, or 15 cents last year. Sales for the period were \$877.6m, against \$871.3m.

For the first half, Cummins posted a loss of \$31.5m, or \$0.73 a share, before the cumulative effect of accounting changes. Sales were \$1.69bn. The first half of 1990 saw net earnings at \$15m, or 56 cents a share, on sales of \$1.73bn.

GENERAL SIGNAL, the US conglomerate, posted second-quarter net income of \$15.2m, or 79 cents a share, against a loss of \$21.9m, or \$1.14, for the corresponding period a year ago. Sales were \$410.9m, compared with \$439.9m.

For the half-year to June, net income was \$29.4m, or \$1.53 a

share, against a loss last year of \$1.6m, or 8 cents. Sales for the period fell to \$808.4m from \$865.9m.

MARSH & MCLENNAN, the insurance broker, yesterday reported second-quarter net earnings of \$60.7m, against \$60.8m a year ago. Per-share net income remained unchanged at \$1.10. Revenues were \$690.2m, compared with \$677.3m.

For the first six months of 1991, net earnings were \$177.3m, or \$2.41, against \$176m, or \$2.39 a share, a year ago, while revenues were up 4 per cent at \$1.43bn from \$1.37bn for last year.

KEEBOK, the sports shoe manufacturer, announced second-quarter earnings of \$60.4m, or

64 cents a share, on sales of \$688.3m. This compares with earnings of \$43.4m, or 38 cents, on sales of \$527.2m for the same period a year ago.

First-half net earnings were \$188m, or \$1.12 a share, on sales of \$1.38bn, against earnings of \$96.1m, or \$0.84, with sales at \$1.08bn.

SAFECO, the Seattle-based multi-line insurer, reported net income of \$51.2m, or 82 cents a share, for the second quarter, against \$76m, or \$1.20, last year. Revenues were \$659.6m, up from \$791.5m last time.

In the first half, net income was \$106.5m, or \$1.70 a share, compared with \$132.3, or \$2.09, on revenues of \$1.68bn, against \$1.57bn.

Compiled by Rinka Nachoma



All of these securities have been sold. This announcement appears as a matter of record.

July 11, 1991

2,375,000 Shares



Revell-Monogram, Inc.



Common Stock

International Offering

475,000 Shares

Kidder, Peabody International Limited

Oppenheimer & Co., Inc.

Commerzbank Aktiengesellschaft

United States Offering

1,900,000 Shares

Kidder, Peabody & Co. Incorporated

Oppenheimer & Co., Inc.

Bear, Stearns & Co. Inc.	Alex. Brown & Sons Incorporated	Commerzbank Capital Markets Corporation
Dillon, Read & Co. Inc.	Hambrecht & Quist Incorporated	PaineWebber Incorporated
Prudential Securities Incorporated	Salomon Brothers Inc.	Wertheim Schroder & Co. Incorporated
L.H. Alton & Company	William Blair & Company	Dain Bosworth Incorporated
A.G. Edwards & Sons, Inc.		Kemper Securities Group, Inc.
Piper, Jaffray & Hopwood Incorporated		Raymond James & Associates, Inc.
The Robinson-Humphrey Company, Inc.	Tucker Anthony Incorporated	Wheat First Butcher & Singer Capital Markets
Advest, Inc.	Fahnestock & Co. Inc.	First Albany Corporation
Furman Selz Incorporated	Janney Montgomery Scott Inc.	Jefferies & Company, Inc.
Ladenburg, Thalmann & Co. Inc.	Mabon Securities Corp.	McDonald & Company Securities, Inc.
Morgan Keegan & Company, Inc.	Stifel, Nicolaus & Company Incorporated	Sutro & Co. Incorporated



All of these securities have been sold. This announcement appears as a matter of record.

July 12, 1991

12,000,000 Shares

PANHANDLE EASTERN CORPORATION

Common Stock

International Offering

2,400,000 Shares

Kidder, Peabody International Limited

Credit Suisse First Boston Limited

Merrill Lynch International Limited

ABC International Limited

Barclays de Zoete Wedd Limited

Daiwa Europe Limited

DnB FONDS AS

Dresdner Bank Aktiengesellschaft

Paribas Capital Markets Group

Swiss Bank Corporation

Westdeutsche Landesbank Girozentrale

United States Offering

9,600,000 Shares

Kidder, Peabody & Co. Incorporated

The First Boston Corporation

Merrill Lynch & Co.

Bear, Stearns & Co. Inc.

Alex. Brown & Sons Incorporated

Dillon, Read & Co. Inc.

Goldman, Sachs & Co.

Howard, Weil, Labouisse, Friedrichs

Lazard Frères & Co.

Lehman Brothers

J. P. Morgan Securities Inc.

PaineWebber Incorporated

Prudential Securities Incorporated

Salomon Brothers Inc.

SBCI Swiss Bank Corporation

Smith Barney, Harris Upham & Co. Incorporated

Dean Witter Reynolds Inc.

Advest, Inc.

J. C. Bradford & Co.

Cowen & Company

Dain Bosworth Incorporated

A.G. Edwards & Sons, Inc.

Kemper Securities Group, Inc.

Legg Mason Wood Walker Incorporated

Mabon Securities Corp.

Oppenheimer & Co., Inc.

Piper, Jaffray & Hopwood Incorporated

Rauscher Pierce Refsnes, Inc.

Raymond James & Associates, Inc.

The Robinson-Humphrey Company, Inc.

Wheat First Butcher & Singer Capital Markets

First Albany Corporation

First Manhattan Co.

First of Michigan Corporation

Interstate/Johnson Lane Corporation

Janney Montgomery Scott Inc.

Ladenburg, Thalmann & Co. Inc.

Neuberger & Berman

The Ohio Company

The Principal/Eppler, Guerin & Turner, Inc.

Stifel, Nicolaus & Company Incorporated

Baird, Patrick & Co., Inc.

Brean Murray, Foster Securities Inc.

The Chicago Corporation

R. G. Dickinson & Co.

J. J. B. Hilliard, W. L. Lyons, Inc.

Jesup, Josephthal & Co., Inc.

Johnston, Lemon & Co. Incorporated

H. J. Meyers & Co., Inc.

Parker/Hunter Incorporated

Roney & Co.

Scott & Stringfellow Investment Corp.

All of these securities having been sold, this announcement appears as a matter of record only.

July, 1991
Concurrent Worldwide Offering

17,600,000 Shares

AMBAC

AMBAC Inc.

Common Stock
(\$0.01 per share)

Price U.S. \$20 Per Share

This portion of the offering was offered outside the United States and Canada by the undersigned.

3,000,000 Shares

Salomon Brothers International Limited	Morgan Stanley International
Daiwa Europe Limited	ABN AMRO
County NatWest Limited	Conning International Inc.
Goldman Sachs International Limited	Dresdner Bank Aktiengesellschaft
UBS Phillips & Drew Securities Limited	Société Générale
Vereins- und Westbank Aktiengesellschaft	

This portion of the offering was offered in the United States by the undersigned.

14,600,000 Shares

Salomon Brothers Inc.	Morgan Stanley & Co.
Bear, Stearns & Co. Inc.	Alex. Brown & Sons
Dillon, Read & Co. Inc.	Donaldson, Lufkin & Jenrette
Hambrecht & Quist	Kidder, Peabody & Co.
Lehman Brothers	Merrill Lynch & Co.
PaineWebber Incorporated	Montgomery Securities
Robertson, Stephens & Company	Prudential Securities Incorporated
S.G. Warburg Securities	Smith Barney, Harris Upham & Co.
Daiwa Securities America Inc.	Wertheim Schroder & Co.
Allen & Company	William Blair & Company
Dain Bosworth	A.G. Edwards & Sons, Inc.
McDonald & Company	Oppenheimer & Co., Inc.
Tucker Anthony	Piper, Jaffray & Hopwood
Advest, Inc.	Wheat First Butcher & Singer
George K. Baum & Company	Arnhold and S. Bleichroeder, Inc.
Crowell, Weedon & Co.	Baird, Patrick & Co., Inc.
First Albany Corporation	The Chicago Corporation
First of Michigan Corporation	Doft & Co., Inc.
Gabelli & Company, Inc.	Fahnestock & Co. Inc.
Howard, Weil, Labouisse, Friedrichs	First Equity Corporation
Edward D. Jones & Co.	First Manhattan Co.
Needham & Company, Inc.	Fox-Pitt, Kelton Inc.
Scott & Stringfellow Investment Corp.	Freemark Blair & Company, Inc.
Stifel, Nicolaus & Company	Gruntal & Co., Incorporated
	Janney Montgomery Scott Inc.
	Ladenburg, Thalmann & Co. Inc.
	Mabon Securities Corp.
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	Sutro & Co. Incorporated
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US\$200,000,000 ML TRUST VI

Collateralized Mortgage Obligations

In accordance with the provisions of the Trust Agreement, notice is hereby given that the Rate of Interest has been fixed at 6.625% for the Nineteenth Floor Interest Period of 20th July 1991 through to 19th October 1991. Interest earned for this Floor Interest Period is expected to amount to US\$5.29 per US\$1,000 Bond.

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L-2012 Luxembourg
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INTERNATIONAL COMPANIES AND FINANCE

Westpac acquires equity control of Ten Network

By Mark Westfield in Sydney

WESTPAC Bank of Australia has ended months of speculation by taking equity control of the Ten television network.

Ten was placed in receiver ship last September, when its debts had grown to A\$455m (US\$325m). Broadcast Australia, manager of Ten and owner of about 19 per cent of its shares, was accumulating further losses at a rate of A\$2m a week.

Announcing Westpac's purchase yesterday, Sir Eric Neal, chairman, said the bank "has committed itself to owning and developing the Ten Network. Ten is off the market."

The network's receiver, Mr James Millar, of Ernst & Young, had earlier called for expressions of interest but had received only one potential bid, from the Grundy Organisation, the TV production house, which then failed to make a firm offer.

Yesterday's purchase of Ten for an implied value of A\$240m will force loan write-offs of about \$200m on the \$200m in principal and interest which has been accrued by Ten.

A Westpac subsidiary, Television Australia, has issued \$340m in 10-year loan notes, of which Westpac will take up 65 per cent for \$156m. The Commonwealth Bank will take up the remaining 35 per cent. Ten's third shareholder, the bank, will be bought out of its estimated \$55m exposure at a rate of about 40 cents in the dollar by the other banks.

The 10-year loan notes will attract interest of only 5 per cent. Ten is expected to earn about \$12m before interest and tax this financial year, which would be just enough to service the interest on the notes.

Mr Frank Conroy, Westpac managing director-elect, said yesterday the 5 per cent represented a "reasonable rate of interest which can be met from cash flows".

The transaction is subject to approval by the Australian Broadcasting Tribunal. Westpac recently converted a NZ\$40m loan to New Zealand's commercial TV network, TV3, to 40 per cent equity.

Bankers to Australia's second television network, the Seven Network, recently voted to employ a complex holding structure in which network executives would own 70 per cent equity for a nominal outlay of A\$10,000, while banks owed A\$725m would own the remaining 30 per cent.

The Seven Network went into receivership in November 1989, with the collapse of its parent, Qntex Australia, once controlled by businessman Mr Christopher Skase.

The leading commercial network, the Nine Network, is 39 per cent controlled by Mr Kerry Facker, who is part of a syndicate trying to buy Australia's Fairfax newspaper group.



Sir Eric Neal committed to Ten's development

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Singapore Airways seeks stake in Qantas

By Joyce Quek in Singapore

SINGAPORE Airlines (SIA) said yesterday that it had declared to the Australian government its interest in acquiring a stake in Qantas Airways, the loss-making, state-owned carrier.

At SIA's annual meeting, Dr Cheong Cheong Kong, the airline's managing director, said that the proposed stake would be a strategic investment in view of the importance of Qantas and the Australian market.

Australia has been a popular destination for SIA's passengers, and Australia forms part of the south-west Pacific region which contributed \$857.6m (US\$330m) towards SIA's revenue of \$94.5m for the year to March 31.

The Australian government has already announced that it would sell 49 per cent of its stake in Qantas, with foreign airlines being allowed up to 35 per cent.

However, Dr Cheong said that SIA was interested only in buying a stake of sufficient size to guarantee a board seat. This was also the strategy of SIA's parent, Temasek Holdings, when it acquired stakes in New Zealand's Brierley Investments and the UK's Mount Charlotte hotel chain earlier this year.

Dr Cheong said that, unlike its equity-swapping and strategic operational alliances with US-based Delta Airlines and Swissair, SIA would make a straight investment in Qantas. He said that it would be useful if SIA and Qantas could establish some joint procedures, for example, using the same airline reservation system.

Already one of the world's most profitable airlines, SIA had a war chest of \$32bn in cash at March 31. The estimated cost of a 35 per cent stake in Qantas has been placed at \$31.5bn.

However, one analyst said SIA would probably aim for a 20 per cent share with an airline friendly with SIA taking up the remaining 15 per cent.

Natsteel lifts Centurion Industries stake to 66%

By Joyce Quek

NATSTEEL, the diversified Singapore conglomerate, yesterday announced that it had increased its stake in Centurion Industries, the Perth-based steel fabrication company, to 66.4 per cent.

This was achieved by Natsteel Equity II, a Natsteel group company, acquiring another 28 per cent of Centurion for A\$3.07m (US\$2.3m) at the close of its general takeover offer on July 18.

Natsteel II, which had already owned 38.7 per cent of Centurion, made a general offer on June 5 of A\$2.05 a share for each 50 per cent Centurion share. The remaining equity in Centurion is held by employees and other private investors.

The Centurion stake is part of Natsteel's ambitious strategy of reducing its dependence on its core activity as Singapore's only manufacturer and trader of steel products. To counter rising operating costs and cheap imports, the group is moving to broaden its steel activities throughout the region.

Natsteel also intends to generate at least half of its profits from non-steel businesses by 1993-94. To this end, it has moved rapidly to become a leading player in the leisure industry in Singapore and the Asia Pacific region.

The group is now into involved in electronics, chemicals, construction products and engineering, but it is in the resorts business where it is most prominent. It owns 65 per cent of Singapore's Raffles Marina, which has already generated \$365m (US\$37.6m) in membership fees.

KOREA's state-funded Korea Petroleum Development Corporation (Pedeco) is to buy a 5 per cent stake in Kukdong Oil for about W30.5bn (\$4.8m) and take a management role in the company, Reuters reports from Seoul.

In addition, the Hyundai Group, one of South Korea's largest conglomerates, is selling 2.5 per cent of its 50 per cent stake in Kukdong, while Kukdong will sell a similar proportion of its 50 per cent holding, giving Pedeco a boardroom vote.

Kukdong has incurred losses of W100bn a year since it built a refinery in Daesan in 1989. Hyundai and Kukdong have clashed over Kukdong's plans to raise about W200bn to make up for the losses.

"We decided to give Pedeco a casting vote on management issues," a Kukdong executive said.

Daikyo buys interest in Lloyds Ships

DAIKYO, Japan's largest builder of condominiums, has purchased a 49 per cent stake in Lloyds Ships, the ship builder based in Queensland for about A\$2.6m (US\$1.92m), Reuters reports from Tokyo.

The remaining 51 per cent is owned by two local Australian shareholders.

THORNTON INTERNATIONAL OPPORTUNITIES FUND, SICAV
Registered Office: Luxembourg, 13, rue Goethe R.C. Luxembourg B 21 743

DIVIDEND NOTICE

At the meeting of shareholders held on 18th July 1991 it was resolved to pay a dividend of US\$0.05 per share to shareholders on record on 18th July 1991 and to holders of bearer shares upon presentation of coupon No. 6, payable on or after 26th July 1991 with shares being quoted ex-dividend as from 19th July 1991.

Paying agent:
Bank of Bermuda (Luxembourg) S.A.
13, rue Goethe
L-1657 Luxembourg.

19th July 1991
For Thornton International Opportunities Fund, SICAV
Management International
(Luxembourg) S.A.

Notice to the Warrant Holders of PACIFIC METALS CO., LTD.

Warrants to subscribe for Shares of common stock of Pacific Metals Co., Ltd. issued with U.S. \$120,000,000 4 1/2 per cent. Guaranteed Notes 1993 (the "Warrants")

Pursuant to Clause 4 (C) of the Instrument dated 29th June, 1989 (the "Instrument") and in accordance with Conditions 7 and 11 of the Terms and Conditions of the Warrants, notice is hereby given that:

Due to issue by Pacific Metals Co., Ltd. (the "Company") on 22nd July, 1991 of Swiss Franc Notes with Warrants due 22nd July, 1996 to subscribe for shares of common stock of the Company (the "Shares") at the initial Exercise Price of Yen 533 per Share which is less than the current market price per Share on the date in Japan (9th July, 1991) on which the Company fixed said Exercise Price, the Subscription Price of the Warrants in effect was adjusted pursuant to Clause 3 (vii) of the Instrument and Condition 7 of the Terms and Conditions of the Warrants from \$1,152.40 to \$1,127.60 which became effective as from 22nd July, 1991 (Japan time).

PACIFIC METALS CO., LTD.
By: The Kyowa Sanyo Bank, Ltd.
as Principal Paying Agent and Warrant Agent
Dated: 23rd July, 1991

Sokana Industries Ltd.

has acquired

97.8% of the Outstanding Shares

in

Astilleros Unidos de Veracruz S.A. de C.V., Mexico

in the current privatisation programme by the Mexican government

The undersigned was actively involved in structuring the transaction and participated in the capitalisation of Sokana Industries Ltd.



Den norske Bank

Oso, London, Luxembourg, New York, Singapore

INTERNATIONAL CAPITAL MARKETS

UK bonds rally as trade figures move into surplus

By Simon London in London and Patrick Harverson in New York

UK GOVERNMENT bond prices rose sharply yesterday as retail sales and trade figures were interpreted as showing an improvement in economic conditions.

The benchmark 10-year government bond maturing 2001 closed the day at 98.25, up 1/2 point on the day, and a yield of 10.19 per cent.

In the futures market, the long-gilt futures contract on the London International Financial Futures Exchange closed at 92.04 up from an opening level of 91.92.

Annual sales in the UK grew 4.1 per cent in May, against a negative growth rate of 3.2 per cent in May. The recovery in consumer spending was higher than anticipated, economists had anticipated a modest recovery over May, with sales still showing a year-on-year negative growth.

GOVERNMENT BONDS

The balance of payments figures showed Britain's first current account surplus, just 22m, for four years. Again the performance was better than expected, this time driven by a strong export performance.

The overall trade balance showed a deficit of 237m, better than the 290m deficit in May.

Recovery is normally regarded as negative for the bond markets, implying that the government will be forced to raise interest rates to combat inflationary pressures in the economy and higher interest rates. However, the poor standing of the government in the opinion polls has turned conventional logic on its head.

Signs that the economy is improving are regarded as decreasing the chances of a general election victory at the next general election, expected late this year or early 1992. Many in the gilt market fear a Labour government more than an economic recovery.

Sterling's membership of the European exchange rate mechanism continues to fuel expectations of lower interest rates, whether or not the economy shows signs of recovery.

The Bank of England's surprise decision to issue 10bn of the 9 per cent government conversion stock due 2011 continued.

BENCHMARK GOVERNMENT BONDS								
		Coupon	Red Date	Price	Change	Yield	Week High	Month Low
AUSTRIA		12.000	11/01	108.2225	-0.25	10.07	10.90	11.18
BELGIUM		10.000	08/01	103.1900		8.46	9.37	9.30
CANADA		0.750	05/01	98.2500	-0.40	9.80	9.98	9.98
DENMARK		8.000	11/00	97.8000	-0.10	0.34	9.28	9.28
FRANCE	BTM	8.000	02/96	98.9804	-0.071	9.25	9.21	9.21
	GMT	8.500	01/01	101.9400	-0.070	0.18	8.08	8.09
GERMANY		8.375	05/01	98.3700	+0.070	9.82	8.63	8.63
ITALY		12.500	03/01	97.8800	-0.18	13.34	13.29	13.21
JAPAN	No 118	4.800	09/99	93.0748	+0.009	7.10	7.17	7.17
	No 125	6.400	03/00	98.1400	-0.134	7.34	8.72	8.72
NETHERLANDS		8.500	03/01	97.8800	-0.080	8.95	8.78	
SPAIN		11.800	07/98	96.3500	-0.125	12.58	11.89	11.83
UK GILTS		10.000	11/98	96.5000	-0.25	10.38	10.38	10.38
		10.000	02/01	96.88	+5/32	10.20	10.21	10.21
		9.000	10/98	92.07	+7/32	9.85	9.96	10.01
US TREASURY		8.000	05/01	98.03	-1/32	8.28	8.28	8.28
		8.125	06/01	98.03	-3/32	8.28	8.28	8.28

London closing, *denotes New York morning session Yields: Local market basis

Prices: US, UK in 32nds, others in decimals Technical data/ATLAS Price Board

CHANGES AT ICI

Moving ahead of the pack in global management

Robert Peston reports on progress of coming to terms with the legacy of a complicated structure

IMPERIAL CHEMICAL Industries detected three years ago that the key financial ratios of its paints business were deteriorating. Profits were steady. But its return on capital was falling and the ratio of fixed costs to sales was rising.

Mr Ronnie Hampel, the main board director responsible for paints, reacted quickly to cut overheads. The reward has been that in the declining markets of 1990 and 1991, when paint sales volumes have fallen 6 per cent in both periods, profits of the division have been rising, albeit modestly.

But not all the divisions had such foresight. ICI's total profits are falling sharply. Mr Stuart Wamsley, a chemical industry analyst, says that ICI neglected to keep its costs under control in the buoyant conditions of the late eighties.

The worldwide workforce was cut by 50,000 to 175,000 between 1980 and 1985, when ICI was chaired first by Sir Maurice Hodgson and then Sir John Harvey-Jones. "After Sir John retired, ICI relaxed its attack on costs," Mr Wamsley says.

Rivals were also complacent, he adds. But the impact was worse for ICI, because so many of its operations are based in the high inflation economy of the UK. Extrapolation from official statistics suggests that the cost of labour for each unit of production rose more than twice as fast at ICI than at the US chemical companies between 1980 and 1990.

The damage done by the swollen overheads was worse because ICI's board was surprised by the speed of economic decline. Though ICI has begun to restructure and 20,000 jobs are likely to go from the current total of 132,000, it did not prune quickly enough.

Management controls were "relatively undisciplined" in the words of an ICI director. This was the legacy of a complicated management structure, which divided financial responsibilities in a confusing way between territorial managers and business managers.

So last summer, Sir Denys Henderson, ICI's chairman, asked Mr Hampel to prepare a policy document on management reform. A new management structure was announced in outline in February and its four main aims were summarised on the cover of Mr Hampel's plan:

- to create a closer working relationship between the chief executives running the seven divisions and the nine executives on the main board;
- to increase the financial accountability of the divisions to head office;
- to exploit the international nature of most businesses;
- to put a greater emphasis on increasing the wealth of ICI's shareholders.

The previous big management change came between 1983 and 1985, under the chairmanship of Sir Denys's predecessor, Sir John Harvey-



SIR MAURICE HODGSON
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Jones. Sir John inherited a cumbersome board containing 18 executive directors, most of which had responsibility for a single division and related on the divisional chief executive for information.

What this meant in practice was that the divisional chief executive was rarely in direct contact with the main board. "There were too many layers between the board and the manager," comments Mr Wamsley.

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He also created - or rather Sir Denys did on his behalf - ICI's first globally organised business. In 1985, a worldwide pharmaceutical operation was set up. This was followed, in 1984, by the creation of a global agrochemicals division.

In the succeeding years, an increasing number of ICI's operations were reorganised to operate on an international basis, to meet the transnational requirements of so many of its clients, such as those in the automotive and aerospace industries.

However, Sir John did not streamline the organisation completely. A parallel power structure, based on geography rather than products, was kept in place. As late as last year, considerable responsibility was given to the chief executives of four national companies - in the US, Canada, Australia and India - and another five executives with responsibility for other regions.

In part, this byzantine system was the legacy of ICI's history, when it had sought to produce clones of its UK operations throughout the British Empire. But territorial organisation had not become completely gratuitous. Any multi-national company must be sensitive to differing requirements of customers and governments in different countries.

Nonetheless, there was a significant draw back. There was duplication of accounting and reporting. In the words of Mr Ralph Hodge, who runs the industrial chemicals division, there was "too much bureaucracy".

A particular danger was that, after a long period of growth, neither the regional executive nor the divisional chief executive wanted to deliver gloomy news to head office. A related problem was that there was no detailed and formal mechanism for monitoring performance.

So a new performance and policy committee has just been set up, which met yesterday and today, as it does before every set of results. At these meetings, each divisional chief executive has to explain the performance of his business to Sir Denys, Colin Short, the finance director and three main board directors with operational responsibilities.

ICI has not abandoned its territorial structure completely. There are three regional chairmen, for Asia Pacific, North America and Western Europe. However, they have no responsibility for managing the individual businesses and the divisions report directly to head office and not to the territories.

The autonomy of divisional heads is considerable. Mr Hodge, for example, has authority to make capital investments of up to £10m without referring back to the main board. ICI has moved further towards global - as opposed to regional - management than any of its main rivals, according to Michael Bennett, of the management consultants, Arthur D Little.

The closest in organisational terms to ICI is probably Ciba Geigy, from Switzerland, because its three main businesses - in drugs, agrochemicals and drugs - are intensely international.

Because ICI is ahead of the pack, analysts find it difficult to judge whether the new structure will work. If there is a danger, they say, it is that ICI is ahead of its customers in running divisions on a global basis. Mr Bennett says ICI must be careful not to neglect the differing needs of European, Japanese and US purchasers.

The final stage of the management reforms will lead to a dramatic shrinking of the head office. A director points out that only 20 per cent of ICI's business is purely domestic. But the chairman and main board executives spend a disproportionate amount of time on UK matters.

In part, this is the natural consequence of the company's 85 years as the great British chemical company. But the second reason is that the group's *ad hoc* headquarters, on Millbank by the River Thames in London, contains a disproportionate number of staff working on UK issues. They are in close proximity to the main board and therefore find it easy to attract their attention.

So head office will be reorganised and most employees who are not needed to help the board fulfill its international obligations will be relocated.

In the process, Britain's most famous corporate headquarters, built in 1928, two years after the company was formed, could become redundant. If ICI moved out, there could be no better symbol of its break with the past.

Mr Martin Glen, an analyst at Lehman Brothers, the US securities house, points out that compared with the average rise in their respective markets, ICI has done much better than the Germans in the past decade.

Before its price was pushed up by Hanson's acquisition of a 2.8 per cent stake, ICI shares had kept pace exactly with the FT All Share index, whereas BASF had trailed the Frankfurt DAX index by 40 per cent.

The story is the same over a shorter period. From the beginning of 1986 to May 19, Dupont's share price rose 10 per cent more than ICI's, which in turn rose 38 per cent more than BASF's.

And how does ICI compare with Hanson, the business philosophy of which is that shareholders come first and success is measured in share price movements?

Over ten year and five year periods, and excluding the dramatic fall in its share price since it announced its interest in ICI, Hanson wins by a mile. However, since the beginning of 1990, it has risen only 2 per cent faster than ICI.

But if the measurement period is brought up to date, ICI's shares have done 25 per cent better than Hanson's since the start of the decade.

Lord Hanson must calculate whether that is the market's final verdict on his investment.

ICI, by contrast, invested hundreds of millions in the past decade on speciality chemicals, sales prospects of which were thought to be far better. In that sense, ICI is regarded by analysts as having better quality businesses than BASF.

Yet in real terms, ICI's dividend record since 1981 is little better than BASF's, with an annual increase only 1 percentage point higher.

German companies are less fearful than British ones of alienating their shareholders by cutting their dividends. So when the pre tax profits of both ICI and BASF slumped in 1990 - by 88 per cent and 31 per cent respectively - ICI maintained its dividend while BASF cut its payment. Without this reduction, the two companies' dividend performance would have been similar.

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Level of spending on research has far outstripped that of its UK competitors

By Charles Leadbeater, Industrial Editor

THE COMPANY which created polyester, polyethylene, perspex and beta blocker heart drugs is understandably proud of its record as an innovator.

ICI stands out as one of the leading British investors in research and development. It spent \$679m on research and technology development last year.

Mr Richard Freeman, the company's chief economist, calculates that ICI's spending on R&D in the UK rose by 70 per cent in real terms between 1985 and 1989, compared with a 40 per cent increase for the rest of the British chemicals industry and a cut of 8.4 per cent in manufacturing as a whole.

The company's performance as an innovator is central to its defence against Hanson. Critics of Hanson allege that it would slash ICI's research effort.

There is no doubting the scale of ICI's effort and its past achievements. But how effective is this spending?

Although ICI has well-developed formal procedures for assessing the costs and benefits of research, Mr Peter Doyle, the head of research, warns: "We have to beware of pseudo numeracy. There is a lot of judgment involved in assessing the value of research."

The most widely used measure of a company's innovativeness is the number of patents the company has in the US.

This is an indirect and imperfect measure - the number of patents a company has depends upon corporate policies. The Japanese lodge more patents than European companies. German companies tend to patent more actively than the British.

An analysis of US patents divided into 34 technological areas by the Science Policy Research Unit at Sussex University, found that ICI was the most innovative British company by a long way.

ICI is among the top five British companies patenting in the US for 14 of the areas. It is followed by GEC and Lucas Industries, which figure in seven areas, and British Petroleum which is in six.

ICI is among the top 20 companies worldwide in six of the 34 areas, with Lucas and GKN trailing well behind.

However at first sight the comparison with its German competitors is less flattering. ICI's patents in the US declined from 1,383 in 1969-74 to 794 in 1981-86, compared with a rise at Bayer from 2,656 to 2,756, Hoechst from 1,515 to 1,759 and BASF from 1,083 to 1,585.

Hoechst and Bayer figure among the top 20 US patenters in 10 areas and Dupont, the US group, is in the top 20 for 14 areas.

ICI's return is that its patents are of higher quality than those of its competitors. It has

shifted research out of declining areas into sectors of growth.

The SPRU researchers found that 12.5 per cent of ICI patents were in fast-growing product areas between 1981 and 1984 compared with 2.3 per cent between 1969 to 1972. Bayer, Hoechst and BASF all have a lower share of patents in fast-growing areas.

The SPRU study also found that in spite of having a lower number of patents ICI has a technological lead in 10 areas of the chemical industry, compared with seven at Bayer and BASF and eight at Hoechst.

This seems to bear out the claims of ICI managers that they have targeted R&D spending more effectively, with spending on biological areas doubling in the past decade to 53 per cent of the total budget.

Industrial chemicals, which a decade ago claimed half the budget, now takes just 16 per cent. The biological research has, since 1985, been responsible for the creation of the first biodegradable plastic and Quorn, the meat substitute.

However, a senior scientific adviser to the company cautions against complacency. He comments: "It has been more effective in traditional areas than in speciality chemicals."

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A separate analysis of ICI's patents by CBI Research, based in the US, shows that its patents are of high quality.

Its patents are cited in the patents of other companies more frequently than those of Bayer, Dow, Hoechst, BASF and Ciba Geigy. ICI's research has been more fundamental to innovation in the industry.

ICI also appears more productive than its competitors in developing new products. The median age of ICI patents is 8.4 years, compared with nine at Bayer, 9.6 at Hoechst and 9.3 at BASF.

These analyses suggest that ICI lags behind Dupont, and its research is on a slightly smaller scale than the German chemicals combine but it compensates by being more selective and producing higher quality innovation.

However, there are two further comparisons which may point to future weaknesses.

First, ICI is a relatively weak innovator of production processes. Dupont, Dow, Hoechst and Bayer are all in the top 20 companies with patents for chemical processes. ICI is not.

Second, in common with other European chemical companies, ICI is being outpaced on R&D by smaller Japanese competitors in an increasingly tough race.

Mr Freeman says: "Five years ago we were spending a higher proportion of turnover on R&D than they were. Now in some areas they are spending more than 80 per cent more than us as a proportion of turnover."

Advanced plastics prove too expensive

ICI's CURRENT reorganisation involves the abandonment of huge investments the company has made in advanced plastics, which it had hoped would eventually replace special steels and thermo-set composite materials in the manufacture of aeroplanes and automobiles, writes Robert Peston.

ICI is closing a plant immediately at Fayetteville, North Carolina, although the British manufacturing site at Ellhouse, Lancashire, will continue producing for another year.

Mr David Oxley, a director of Chem Systems, the chemical industry consultancy, says ICI's biggest mistake in its PES venture was in not putting enough resources into marketing the product. As a result, it allowed General Electric to gain a stranglehold on the automotive market with a competitive product.

Analysts say ICI has invested a total of £100m over a decade in developing this product alone. It is not pulling out all advanced materials, but total write-offs are likely to be far bigger when it has completed the reorganisation of these operations.

The director of a rival chemicals company says that all materials manufacturers underestimated how long it would take for the new thermo-plastics to become commercially successful. "The appropriate time horizon was really 15 to 20 years, not five years," he says.

He adds that they failed to recognise the inertia of customers in the aerospace and automotive industries, who had only just got used to replacing aluminium with thermo-set composites made of carbon fibre and were not ready for a further change.

ICI trusted that the technological superiority of its thermo-plastics would automatically generate sales. A director says the company failed to appreciate that many advanced plastics were not significantly different from a glut of competing products.

But if ICI could be forgiven for that mistake, it did make one serious strategic error. It paid too much for Fiberte, a producer of thermo-set materials in their unfinished state, or pre-pregs.

Fiberte was bought in 1984

as part of its \$750m (\$457m) acquisition of Bechtel Chemical of the US. Analysts say that the implied purchase price of Fiberte was probably \$150m and a similar sum may have been spent on establishing a new plant in Texas, another in Germany and a joint venture in Japan.

Pre-pregs, made of woven carbon fibres and resin, are used to make aeroplane parts such as tail fins and wing flaps. The manufacturing process involves many hours of moulding. ETPs on the other hand can simply be stamped into shape.

ICI bought Fiberte to gain access to customers in the aerospace industry that it thought would one day buy its ETPs. Rivals say that breaking into aerospace and automotive markets is difficult. Buying a company with established customer relationships was sensible. But in other respects Fiberte was not a good business for ICI.

ICI is at a competitive disadvantage in the manufacture of pre-pregs because it has to buy most of the feedstocks from rival chemical groups.

"ICI produces an insignificant proportion of the total value in thermo-set," said an analyst. "The intrinsic profitability is therefore small."

So if ICI is reducing its commitment to thermo-plastics, there is little point in keeping Fiberte.

Ironically, many analysts and chemical company directors are convinced that the manufacture of thermo-plastics and advanced composite materials will be a huge industry in the next century. "But it will be dominated by Japanese companies, because they are the only ones prepared to tolerate years of poor results and losses," says the director of a European materials business.

Some ICI executives are fighting a rearguard action to preserve the thermo-plastics business. They remember when ICI's pharmaceuticals and agricultural businesses, the heart of ICI today, were small loss-makers.

But the tide is against them. ICI has just introduced a new process of evaluating its newer businesses. Every year, each embryonic business is being reviewed by the executive directors, to ensure they are hitting their targets. Some, like PES, will be aborted.

Dividend policy unlikely to create shareholder loyalty

IF ICI faces a hostile takeover bid, it will not be able to rest its defence on its financial performance. Its record of rewarding shareholders over the past decade is only marginally better than the average for its industry writes Robert Peston.

In the ten years from 1981 to 1990, ICI's dividends were increased at an annual compound rate of 12.5 per cent. That is significantly faster growth than was managed by all its main competitors in the chemical industry.

But performance does not look nearly so good if adjusted for inflation. In real terms, ICI's dividends were raised 6 per cent a year, which still compares well with a 2 per cent real annual increase achieved by Du Pont, the biggest US chemicals group.

However, ICI's payout rate is not significantly superior to that of the big German chemical groups, Bayer, Hoechst and BASF. This is surprising, since most financial analysts say the German companies neglect shareholders' interests in favour of employees' and other social obligations.

BASF makes a particularly interesting comparison. It has tended to concentrate far more than ICI on the manufacture of heavy chemicals. The received wisdom in the early eighties was that the profitability of these products would be on a steep declining trend.

ICI, by contrast, invested hundreds of millions in the past decade on speciality chemicals, sales prospects of which were thought to be far better. In that sense, ICI is regarded by analysts as having better quality businesses than BASF.

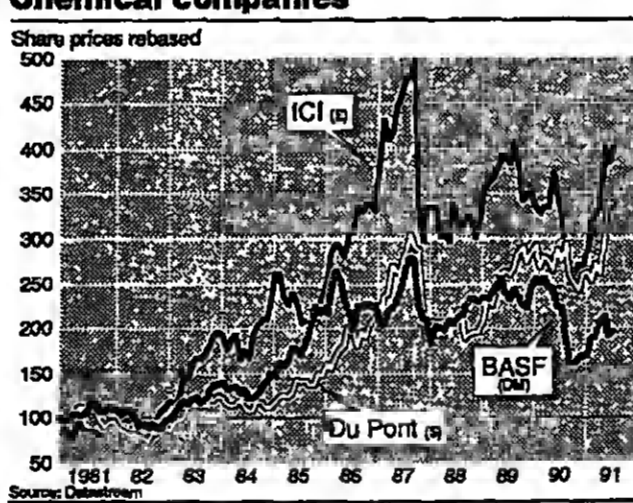
Yet in real terms, ICI's dividend record since 1981 is little better than BASF's, with an annual increase only 1 percentage point higher.

German companies are less fearful than British ones of alienating their shareholders by cutting their dividends. So when the pre tax profits of both ICI and BASF slumped in 1990 - by 88 per cent and 31 per cent respectively - ICI maintained its dividend while BASF cut its payment. Without this reduction, the two companies' dividend performance would have been similar.

Over ten year and five year periods, and excluding the dramatic fall in its share price since it announced its interest in ICI, Hanson wins by a mile. However, since the beginning of 1990, it has risen only 2 per cent faster than ICI.

But if the measurement period is brought up to date, ICI's shares have done 25 per cent better than Hanson's since the start of the decade.

Chemical companies



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Lord Hanson must calculate whether that is the market's final verdict on his investment.

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Mr Martin Glen, an analyst at Lehman Brothers, the US securities house, points out that compared with the average rise in their respective markets, ICI has done much better than the Germans in the past decade.

Before its price was pushed up by Hanson's acquisition of a 2.8 per cent stake, ICI shares had kept pace exactly with the FT All Share index, whereas BASF had trailed the Frankfurt DAX index by 40 per cent.

The story is the same over a shorter period. From the beginning of 1986 to May 19, Dupont's share price rose 10 per cent more than ICI's, which in turn rose 38 per cent more than BASF's.

And how does ICI compare with Hanson, the business philosophy of which is that shareholders come first and success is measured in share price movements?

Over ten year and five year periods, and excluding the dramatic fall in its share price since it announced its interest in ICI, Hanson wins by a mile. However, since the beginning of 1990, it has risen only 2 per cent faster than ICI.

But if the measurement period is brought up to date, ICI's shares have done

UK COMPANY NEWS

Eyode comes unstuck as profits fall 58% to £3m

By Jane Fuller

EVODE Group, the adhesives, coatings and plastics concern, suffered a 58 per cent fall in interim pre-tax profits as demand fell from its customers in the building, consumer goods and motor sectors.

As signalled in a profit warning in early June, pre-tax profit fell to £3m (£7.2m) in the six months to March 30.

The interim dividend was maintained at 1.75p, although it was not covered by fully diluted earnings per share of 1.25p (5.46p).

The group was £400,000 in the red after dividends paid on the convertible and dollar preference shares.

After the ordinary share payment the retained profit was £1.7m (£3.3m profit).

Turnover was flat at £137.8m, against £137.1m, including £12.6m from two US PVC businesses bought for £24m a year ago.

Mr Andrew Simon, chairman, said like-for-like sales

were 9 per cent down, hence the 38 per cent fall in operating profit to £8.5m (£10.5m).

Interest costs rose to £3.7m (£3.3m). Net debt had grown from the year-end level of £41.5m, gearing of 69 per cent, but was no higher than the previous interim figure.

Mr Simon said 45 per cent of group turnover lay in the UK and a third of that was related to the building industry.

This had affected the adhesives and sealants division, where operating profit fell by £1m to £1.3m.

Another £1m fall, to £1.2m, came in industrial coatings. The UK powder coating market had fallen by 17 per cent in the first quarter of 1991.

Plastics declined to £800,000 (£1.4m) and Chamberlain Phipps above components to £1.1m (£2m).

Other parts of Chamberlain, acquired in May 1989 in an £80m-plus all-paper deal, had been absorbed into other divisions.

Mr Simon said the disposal of non-core businesses should bring in £20m, but only part by the year-end.

COMMENT

Yesterday's opening price of 45p was about a quarter of the level when Eyode completed the Chamberlain deal. Some former Chamberlain shareholders must be wishing they had accepted Bowater's rival cash offer. It is small comfort that the interim dividend was held because there seems little hope that the final will be maintained - as suggested by the historic yield of 17 per cent. Having overstretched itself on acquisitions, it was a pity that more balance sheet details were not available to assist judgment of the group's state. Those who believe the corner has been turned say the high gearing makes it a good recovery play. Others are more cautious. Eyode has been resilient than might have been expected from its spread of markets. A full-year forecast of £7m (£15.2m) pre-tax gives a prospective p/e of nearly 17 on yesterday's close of 51p. This looks quite high enough until some of the uncertainty is removed from the recovery scenario.

Mystery deepens around 'sacked' Spurs chief

By Jane Fuller

THE MYSTERY surrounding the position of Mr Ian Gray, managing director of Tottenham Hotspur, deepened yesterday.

Following a telephone conversation on July 5 with Mr Alan Sugar, new chairman of the company - which owns the Tottenham Hotspur football club - Mr Gray believed he had no job.

He had hired a solicitor to press his claim for two years' salary - at least £110,000 - and other benefits arising from the remaining two years of his three-year contract.

Yesterday Tottenham put out a statement saying "Mr Ian Gray [his name was spelled incorrectly] is and remains

managing director of the company." The news came via Michael Joyce Consultants, Tottenham's new public relations representative which also acts for Mr Sugar's company Amstrad.

Mr Gray had not, however, been contacted by Tottenham and only learnt of the development from the Financial Times. Mr Sugar was not available for comment yesterday.

Mr Gray's job title changed to managing director last month when Mr Terry Venables, former team manager, became chief executive. Mr Sugar and Mr Venables have bought 35 per cent of the equity and have been forced to bid for the rest.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Berkley Govett	8.5p	Aug 21	7	15	19
Bespak	5p	Oct 7	4.4	9.4	7
Evode	1.75p	Sept 27	1.75	3.5	6.42
Independent Inv Co	0.45p	Oct 9	0.25	0.7	0.25
Kitty Little	0.325p	Nov 1	nil	0.325	0.575
Wentworth Intl	0.11p	Nov 1	0.1	0.21	1

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issues. †On capital increased by rights and/or acquisition issues. \$USM stock. ‡Gross US cents.

Berkeley Govett up 15%

By Norma Cohen

BERKELEY Govett, the Jersey-based financial services group, yesterday reported a 15 per cent rise in pre-tax profits and an increase in its dividend.

Profits for the six months ended June 30 rose to £26m (£21.5m) compared with £22.7m the year before, while the gross interim dividend has been increased to 8.5 cents against 7 cents.

Total income fell to £23.9m (£26.9m). Earnings per share are shown as 26.5 cents compared with 23.8 cents.

"The increase in profitability reflects the use of an 'embedded value' system of accounting by the company's US-based

insurance arm, London Pacific Life & Annuity. The accounting system recognises the discounted value of future profits on London Pacific's major product, single-premium deferred annuity plans.

However, even without recognising the embedded value of its assets, London Pacific would have recorded a small profit for the six-month period, the first time it has done so since its formation in April 1989.

Separately, Berkeley Govett said it will launch an American Depository Receipt programme later this year to broaden US ownership of its shares.

NEWS DIGEST

Yorkshire Water chief boosts pay

SIR GORDON Jones, chairman of Yorkshire Water, received a £44,000 pay rise in 1991.

The 59 per cent advance, to £119,000, was revealed in the company's annual report published yesterday.

In its first full year in the private sector, Yorkshire reported pre-tax profits ahead of expectations at £114.1m. Turnover amounted to £388.8m.

Sir Gordon has already put on record his defence of the salary increases received by chairman of the water companies in the year following privatisation in a letter to the Financial Times.

In the letter, published on July 10, Sir Gordon stressed that in the prospectuses it was explicitly stated that the salaries of chairmen and executive members would be adjusted "towards a more market-related basis" after privatisation.

Mr John Bellak, chairman of Severn Trent Water, received a 68 per cent pay rise taking his annual package to just under £150,000, the company's annual report revealed.

Chief executive Roderick Paul received a 48 per cent rise putting his pay at £159,000.

turnover up 24 per cent from £13.63m to £16.92m. Costs related to acquisitions resulted in an extraordinary charge of £232,000 (£87,000).

A change in the capital base after the rights issue in August meant that earnings per share were down from 2.84p to 1.7p, and a final dividend of 0.1p (1p) is proposed.

Burton board comes under fire

Shareholders of Burton Group, the fashion retailer and owner of the Debenhams department store chain, yesterday approved the company's £161m rights issue at an extraordinary general meeting.

The meeting was marked by calls for the board's resignation.

Kitty Little rises to £167,000

Kitty Little Group, manufacturer of fragrant gifts, air fresheners, and self-selection reading glasses through its Magnivision subsidiary, boosted pre-tax profit from £33,000 to £167,000 in the year to January 31.

A final dividend of 0.325p (nil) is proposed, making an unchanged total of 0.575p. After a tax charge of £149,000 (£11,000), earnings per share came out at 0.19p (0.23p).

Devenish sells Redruth brewery

JA Devenish, the west country brewer which last month successfully fought off a takeover bid by Boddington, has sold its Redruth brewery in Cornwall to a management team for £700,000.

The team, led by former directors, Mr Paul Smith and Mr Tony Wharmby, will continue with some brewing and packaging contracts previously undertaken by Devenish and plan to develop their own craft brewing operation.

Bespak ahead 13% to £4.42m

Bespak, the maker of specialised valves and other engineering components for the pharmaceutical industry, lifted pre-tax profits by 13 per cent from £3.91m to £4.42m in the six weeks to May 3.

Thanks to a lower tax charge of £1.21m (£1.28m), earnings rose 17 per cent to 22.7p (19.4p) per share. The total dividend is raised by 1p to 8p with a proposed final dividend of 5p (4.4p).

Independent Inv net assets drop to 54.8p

The Independent investment Company, part of Ivery & Stone, saw a decline in net asset value over the year to June 31, falling from 66.6p to 54.8p.

Earnings per share were 0.71p (0.25p) and a final - and only - dividend of 0.45p (0.35p) is proposed.

Wentworth Intl advances to £1.21m

Wentworth International Group, the USM-quoted polythene and packaging manufacturer, reported profits before tax more than doubled from \$451,000 to £1.21m in the year to end-March 1991.

The figure was struck on

DISTRIBUTION SERVICES

Business Strategy
Fleet Management
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Information Systems
Facilities Design

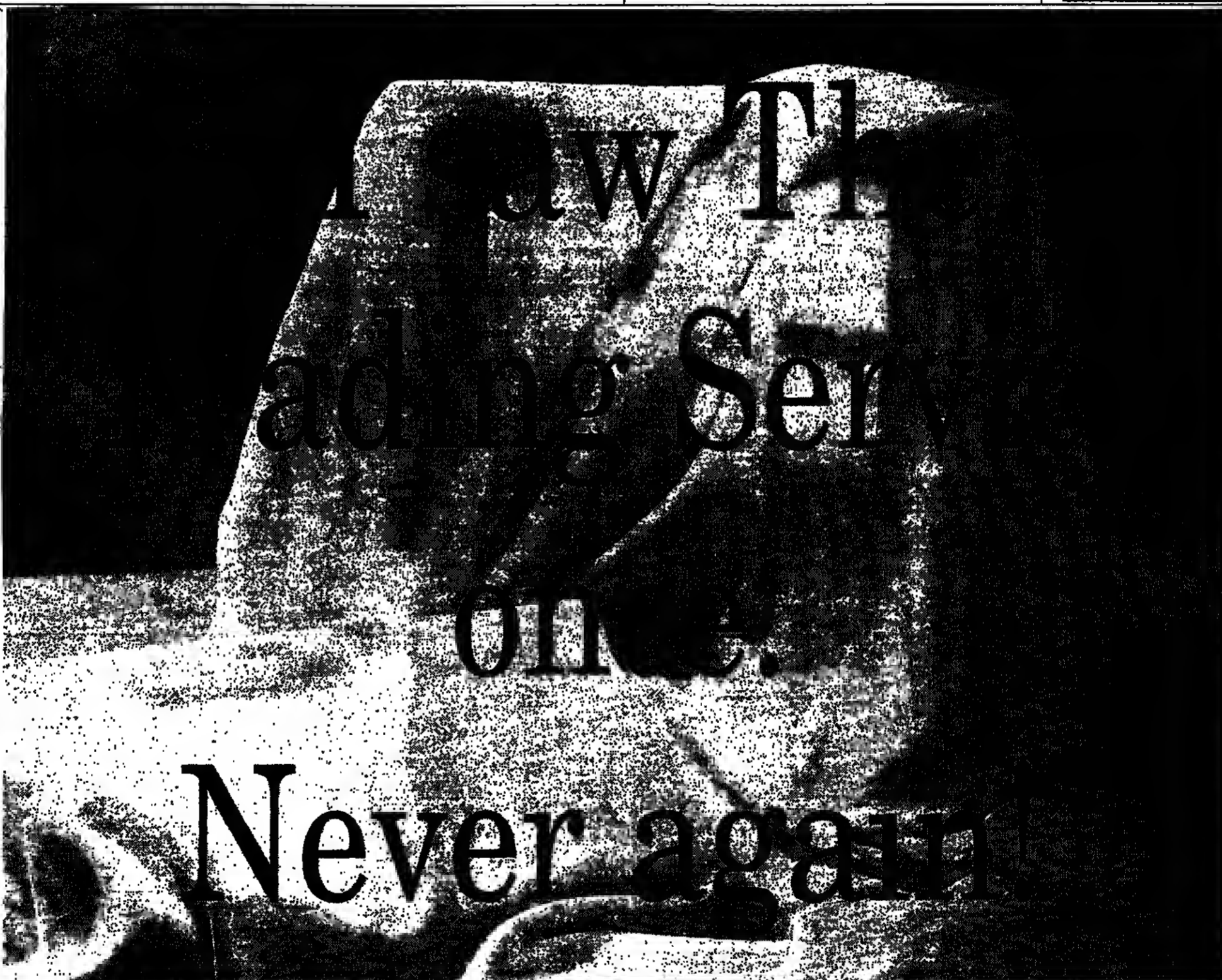
For further information contact:
MMM Consultancy Group Ltd.,
Housdun Road,
Basingstoke, Hants RG21 2XN.
Tel: 0256 464225.

BRITANNIA BUILDING SOCIETY

Issue of up to
£50,000,000
Floating Rate Notes
Due 2005

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three month interest period from (and including) 22nd July 1991 to (and including) 22nd October 1991, the Notes will carry a rate of interest of 11.69792 per cent per annum. The relevant interest payment date will be 22nd October 1991. The company's net assets of £1,000,000,000 will be £29,455.17 payable against surrender of Coupon No. 7.

Hambros Bank Limited
Agent Bank



"First impressions count"

A year or so ago when The Trading Service (TTS) was first launched a lot of people I know were impressed. They saw in TTS a fixed format trading system whose guaranteed accuracy of deal capture and awesome speed destined it to become the future format for Spot FX Dealers worldwide.

When I saw it, I wasn't so easily convinced. There were many features that I didn't like. I was uncomfortable with the 'slate' and the way in which this new fixed format trading tool was so rigid - accurate, yes, but easy to use? To be frank, I thought Telerate had made a mistake.

I was disappointed mostly because I had wanted the Telerate people to convince me. I'd grown tired of our usual supplier's complacency and attitude and wanted a viable, cheaper and superior alternative for my FX Dealing activities.

"I know I don't like it, because I haven't tried it recently"

Anyway, I dismissed it. And until now, I have been happy to stick with 'The Devil I know'. After all, I hadn't

heard of any major relaunches or dramatic product changes that could change my original and lasting impression.

"Hundreds take part in Madrid demonstrations"

A friend of mine told me how he had seen TTS again just a few weeks ago at the ACI World Foreign Exchange Conference - Forex '91 - in Madrid. He had seen a TTS which offered 'talk' and fixed format dealing within the same 'conversation'. He had noted the way that the screen showed him just what was needed - without extraneous graphics - and he acknowledged the ease of use of the system. He quickly became familiar with the operation of TTS; he saw how he could conduct multiple 'talk' and fixed format dealing conversations all at the same time. He heard how the screens and keyboards could be integrated into his existing equipment and how all of his original nagging detailed criticisms had been resolved. Overall, he had, he said, realised that TTS now offers a lot more than his current system - while costing an awful lot less.

Most significantly, he was convinced that people in dealing rooms around the world are not only signed up with

TTS, but are actually using it; quoting prices, trading growing volumes every day in a comprehensive range of currency pairs.

He came back from his demonstration enthusing about TTS. He seems to think it truly is the future in Foreign Exchange dealing.

He said that if I hadn't seen TTS recently then it is high time that I did. He suggested I give Telerate a call and set up a demonstration.

So I did. It was a real eye-opener. TTS really has changed. It is a very different proposition today from what it was last year.

And yes, it's really pretty good now. It's just that Well, I'll tell you what I really think tomorrow.

TELERATE

Dow Jones Global Information

IN EUROPE, TTS ENQUIRIES SHOULD BE MADE TO:

BELGIUM Rudy Ostlander 32 2 773 1000 • DENMARK Claus Biegaard 45 33 323 266 • FINLAND Matti Leamanen 358 0694 4883 • FRANCE Coles Truong 33 14 289 0509
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NOEWAY David Chartier 472 421 948 • SWEDEN Fred Noren 46 8 676 9200 • SWITZERLAND Monica Baettig 41 1 271 1411 • UK Denise Crist 44 71 583 0044

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Interest period from 22 July 1991 to 22 January 1992

Interest payment per \$100,000 US\$1,416.06

Interest paid to THE LONG-TERM CREDIT BANK OF JAPAN LTD. (Agent Bank)

Lonrho statement sparks talk of platinum cartel

By Kenneth Gooding, Mining Correspondent

SPECULATION was rife in the precious metals market yesterday that South Africa and the Soviet Union were working towards some kind of cartel for platinum group metals.

This arose after Lonrho South Africa, third-largest of the western world's platinum group metal producers, said it was having wide-ranging technical and marketing talks with Glavalmaz Zoloto, the organisation responsible for the Soviet Union's precious metals production and sales.

The announcement was so unusual that some analysts suggested Lonrho might be acting as a stalking horse for all the South African platinum producers and that the talks might lead to a cartel similar to the one for rough (uncut) diamonds organised by De Beers of South Africa. De Beers has a five-year contract to market the Soviet Union's diamonds.

But the platinum price showed little reaction, closing in London yesterday only 35 cents up at \$375 a troy ounce.

After a day of very quiet trading, South Africa is the world's biggest platinum group metals producer and the Soviet Union is the second-largest. However, the Soviet Union produces more palladium than platinum and, like Lonrho SA, is also a big producer of rhodium. All these platinum group metals are essential in automotive catalysts, used to clean up car exhaust fumes.

Analysts pointed out that the Soviet Union was under tremendous pressure to maximise its foreign earnings at a time when platinum and palladium prices were weak and rhodium was slithering down fast from a recent peak caused by supply problems. "It would certainly help the South African industry if the Soviet Union could be persuaded to withhold metal from the market," said one.

Lonrho South Africa is South Africa's third-largest producer. Impala Platinum, the Genor subsidiary which is the second-largest, owns 25 per cent of Lonrho SA and the

industry believes the two are working towards an even closer relationship.

Mr Paul Spicer, a director of the parent Lonrho company in London, said yesterday talks had been going on for about 18 months about the possibility that his company and the Soviet industry might co-operate over the very complex refining processes associated with platinum group metals.

He said Lonrho might also assist with the Soviet industry's marketing, which he suggested was relatively unsophisticated.

However, other platinum industry participants said there seemed to be little marketing room left for Lonrho. Soviet platinum was sold through Almaz, the precious metal export agency, mainly on contracts to end users, and by the Bank for Foreign Economic Affairs.

Almaz also recently set up a joint company with Salomon Brothers, the US investment bank, to market platinum group metals in North America.

Technical rethink at Canadian smelter

By Bernard Simon in Toronto

COMINCO, THE Canadian base metals producer, has failed to resolve technical problems plaguing its new lead smelter at Trail, British Columbia, and is taking a closer look at alternative processes.

Cominco said in a statement that recent tests by Lurgi, the West German supplier of the QSL technology used at Trail, had confirmed that natural gas could be used as a reducing agent in the smelter.

But it said that "other factors affecting plant operating availability and throughput were not conclusive". These appeared to include problems with the gas injectors and refractory stabilising systems.

As a result, the QSL process was not yet able to meet Trail's requirements. Cominco said that alterations to the smelter, which was shut down in March 1990 after only three months in operation, had been put on hold.

While further tests are conducted at a pilot QSL smelter in Stolberg, Germany, Cominco has decided to send a small shipment of residues from Trail to a pilot plant in the Soviet Union using the rival Kivert technology. The Kivert tests will be conducted later this year. A Cominco official said the company was also still examining the Isasmelt process, developed by the Australian mining group MIM.

The Canadian company faces a decision whether to start writing off at least part of its investment in the QSL smelter. The cost was initially set at \$410m, but the extra work required on the plant will push the final bill substantially higher.

Cominco has renewed its contract with Lurgi, but the official declined to say what legal steps were being contemplated against the German company, a subsidiary of Metallgesellschaft, the German metals group, which is also a shareholder in Cominco.

Cominco continues for the time being to rely on its old smelter at Trail, which was due to be replaced by the QSL one. The old smelter is currently operating at a rate of 110,000 tonnes a year, compared with the 160,000-tonne-a-year target for the new plant.

EC offers charter for inefficiency

Proposed reforms could lift the cost of food as well as farm support

IF THERE be no doubt the plans for reforming Europe's farm policy proposed by Mr Ray MacSharry, the European Commission's Agriculture Commissioner, in the words of Mr John Gummer, the UK Agriculture Minister, "institutional inefficiency". Small, hopelessly non-viable holdings across the community would attract substantial sums to stay as they were while efficient farms would be penalised, some of them to the point of destruction.

Furthermore, Mr MacSharry goes so far as to concede that his plan would in the short term increase rather than decrease the cost to EC taxpayers of financing the community's Common Agricultural Policy. By preserving inefficiency and discriminating against efficiency I suggest he would be ensuring that the cost of agricultural support and/or the price of food would also rise in the long term.

In spite of all this, however, his proposals have been widely welcomed as a "basis for negotiation". This can only be interpreted as meaning the end result will be at the very least similar to the document on the table and that the development of agriculture across the community will go into reverse.

Would there have been the same kind of welcome for a plan proposing that the motor industry should return to the methods of Henry Ford when he made his Model T? Should builders be asked to erect houses, developed by the wattle and daub? Should accountants ditch their calculators and return to the abacus?

The answers are obvious. So why should agriculture, which concerns, may I remind readers, the production of that most essential commodity, food, be any different? I must make it clear, however, that my deep objections to the MacSharry plans do not mean that I want to maintain the status quo. Indeed, I and many other farmers have advocated CAP reform for years.

As long ago as 1984 I called for the compulsory setting aside each year of 10 per cent of the land across the European Community. At that time, I calculated that 10 per cent would be sufficient to bring supply and demand into balance within a few years.

My form of set-aside would have been rational, so that different fields were left fallow each year, giving farmers the opportunity to cultivate them and eliminate weeds by mechanical rather than chemical means. The compensation paid would have been lower than any of the schemes currently in operation and would therefore have been less of a burden on taxpayers and less disruptive of farm rents.

I was told at the time that my proposal was too complicated, too expensive and too difficult to administer. The present proposals are so complicated that no-one fully understands them; they will, as previously explained, cost even more than the present CAP and it is already clear that administering them will be a bureaucratic nightmare, absorbing the greater proportion of the extra cash it is said will be required.

Mr David Naish, president of

Britain's National Farmers' Union, has, in fact, demanded that the MacSharry plan be abandoned and that when the agriculture ministers meet again in September they should consider the alternative of voluntary supply management. This is a proposal which originated with the NFU and has since been unanimously adopted by Cops, the confederation of European farmers' unions.

It contains some of the same elements of set-aside that appear in the MacSharry plan in order to reduce production but would not be compulsory. It would include compensation for acres taken out of production on big farms as well as small but the total cost, it is claimed, would be lower than that for Mr MacSharry's proposals. Moreover, it would not discriminate against farmers in the UK.

Whether the agriculture ministers or the commission will respond to Mr Naish's demands remains to be seen. I am bound to say that I think it is unlikely, in spite of the lobbying to which they will be subjected both before and after they take their annual holidays. As they pack their swimming costumes and head for distant beaches, however, I would leave them with one or two thoughts on which to ponder as they sun themselves. For whatever reform package is eventually agreed, I would argue that it must enable genuine efficient farmers to survive.

That does not mean I seek a licence to splash sprays all over crops or to fertilise with gay abandon. It does, however, mean optimising the use of such inputs within the limits of safety and economy. And I would remind the ministers and their advisers that in the UK, according to government

statistics, the use of nitrogenous fertilisers fell by 4 per cent between 1985 and 1990 and that the quantity of pesticide active ingredient fell by 14 per cent during the same period.

I would also ask the Eurocrats to think of a way whereby socio-economic matters could be separated from the Common Agricultural Policy. In other words, if it is desirable to maintain a peasant with two cows and a dozen sheep half-way up a mountain, and I recognise that these are reasonable social and environmental objectives, then this should not be charged to the CAP.

There is one final fundamental matter which they should consider. In Western Europe, we have been fortunate in having food enough and to spare - at least since the shortages of the mid-1970s. There is now widespread acceptance, however, that we can afford to allow 15 per cent of our arable land to run wild with weeds and scrub.

As the last few years of limited set-aside have proved, nature abhors a vacuum and uncultivated land becomes a jungle within months. What ails the UK is how long, should the need arise, it would take to rehabilitate such land and bring it back into full production.

One thing is certain: it could not be brought back into full production overnight, even under ideal circumstances, there could be a two to three-year time-lag. If, in the meantime, however, much of the farm labour force had been forced off the land by economic circumstances, if farm machinery had become old and out-dated and if most of the people who had gone bust, Europe could find itself facing a much longer period of shortage. I urge the policy makers not to discount that possibility.

Aluminium shortage forecast

By Kenneth Gooding

ONE THIRD of the western world's aluminium production capacity is uneconomic at today's prices, according to the Anthony Bird consultancy organisation. It warns that "low metal prices now will mean a return of inflated metal prices later."

Bird expects prices to rise slowly at first but to reach 88 US cents a lb by 1993 (in today's money and at today's exchange rates), rising to 108 cents by the middle of 1994. "Exchange rate movements might inflate the price rise significantly but aluminium prices at that level will not be sustained into the longer term - any more than today's miserable metal prices can be sustained once the economic recovery gets going."

Bird says that today only about 10m tonnes of primary aluminium capacity is covering operating costs, let alone making a return on capital. "The economics of new smelt-

ers suggest that a price of 77 cents to 88 cents a lb is needed to balance supply and demand in the longer term, although the exact figure is very sensitive to exchange rate movements. Actual prices have been well below that range for months," it points out. Aluminium for delivery in three months closed on the London Metal Exchange at 60 cents a lb last night.

Bird says low prices are causing output to be cut too sharply. "By early 1993 the supply-demand balance will move back into deficit where it will remain and by 1995 the supply situation will once more start to become uncomfortably tight. This will be reinforced by the fact that the rate of investment in new capacity is now much less than the industry needs in the long term."

The industry has been slow to respond, this year to low prices and western world

stocks are likely to reach 2.7m tonnes by the end of 1991, Bird says. At the last peak, in February, 1982, stocks reached 3.5m tonnes. During the 1988 aluminium shortage stocks fell as low as 1.4m tonnes.

Today's extraordinarily low prices have partly been caused by a flood of Soviet exports to the west, Bird points out. While Soviet exports will remain higher than usual for some years, the exceptional levels seen recently are unlikely to be maintained. This is because a recovery in the aluminium-using industry in the former eastern bloc countries can be expected and because there is every reason to suppose aluminium producers will not be able to escape as the Soviet economy falls further into chaos.

Anthony Bird Associates, 153 Richmond Road, Kingston upon Thames, Surrey KT2 5DD, UK.

Wynnstay and Cwyrdd Farmers have been granted just over 12 per cent towards the \$160,000 cost of expanding a food-processing system by the Development Board for Rural Wales, not the full amount as stated on this page last Wednesday.

Cominco has renewed its contract with Lurgi, but the official declined to say what legal steps were being contemplated against the German company, a subsidiary of Metallgesellschaft, the German metals group, which is also a shareholder in Cominco.

Cominco continues for the time being to rely on its old smelter at Trail, which was due to be replaced by the QSL one. The old smelter is currently operating at a rate of 110,000 tonnes a year, compared with the 160,000-tonne-a-year target for the new plant.

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EC reform plan 'discriminates against UK'

By our Agriculture Correspondent

THE European Commission's proposed reform of the common agricultural policy would result in widely varying payments to farmers across the European Community with UK cereal, dairy and beef farmers all being discriminated against compared to farmers in both northern and southern member states.

The proposed system for compensating farmers on the basis of average regional yield would mean above average levels of payment per hectare in the EC's more productive arable regions, such as eastern England, according to Agra Europe, the independent agricultural intelligence agency. However, the commission's proposal to impose upper lim-

its on compensatory payments on land set-aside would place British producers at a distinct disadvantage.

The commission's reform blueprint would cut cereal prices by up to 42 per cent over three years but farmers would be compensated through direct per-hectare payments. These would vary regionally according to land productivity. Compensation would be paid on the basis of income loss resulting from the cut in the support price, multiplied by the average yield per hectare in each region.

The proposals designate a basic compensatory payment of Ecu56 (£58) a tonne. But Agra Europe has calculated that on a per-hectare basis

the calculations suggest that virtually every producer in Greece, Portugal, Spain and Italy would be exempted from the set-aside requirement. In Belgium, Germany, Ireland, Luxembourg and the Netherlands more than 80 per cent of all arable producers would be deemed to be small producers, while in France roughly three-quarters of farmers would qualify and in Denmark about two-thirds. Only in the UK where the qualifying threshold is 16.7 ha, would producers qualifying for a set-aside exemption be a minority.

Similar calculations show that in the proposed reforms for the beef and dairy sectors it would be the UK that would suffer most.

Drought sets back Indonesian sugar hopes

DROUGHT is likely to cut Indonesia's sugar crop by 8 to 10 per cent this year and by up to 20 per cent in 1992, according to Mr Birowo, head of the Indonesian Sugar Council, reports Reuters from Jakarta.

Official estimates had originally put this year's crop at 2.3m tonnes of raw sugar, compared with a little over 2m

tonnes last year. The government hopes output will reach 2.7m tonnes in 1993, and has set 1994 as the target year to reach self-sufficiency, a goal viewed with scepticism by some traders, who say that demand will rise as the economy grows.

Mr Birowo estimated that imports of white sugar this

year would be around 250,000 tonnes compared with an original target of 100,000 tonnes. But he said he was not particularly worried about importing sugar since world prices were so low. "It's cheaper to import than produce locally," he said. Imported sugar is about 30 per cent cheaper than locally-produced supplies.

CORRECTION

Welsh farm grant

Wynnstay and Cwyrdd Farmers have been granted just over 12 per cent towards the \$160,000 cost of expanding a food-processing system by the Development Board for Rural Wales, not the full amount as stated on this page last Wednesday.

WORLD COMMODITIES PRICES

MARKET REPORT

Nickel fell on the LME on speculative selling and liquidation, and the market moved back into contango. Technical pressure has been alleviated by Friday's 1,864 tonne increase in LME warehouse stocks, although caution ahead of the August date will limit selling interest, dealers said. Aluminium prices closed at the day's lows ahead of today's stock data. Initial forecasts were for a rise of around 5,000 tonnes but late in the afternoon there was talk from one quarter of further substantial arrivals in warehouses which could result in a net increase of over 20,000 tonnes. On the London bullion market gold drifted back below \$370 a troy London Markets

Compiled from Reuters

SPOT MARKETS

Crude oil (per barrel FOB) + or -

Dubai \$16.54-0.02 -125

Brent Blend (distant) \$20.00-0.10 -178

Cotton "A" index \$10.80-0.10 -125

W.T.I. (1 pm set) \$21.50-1.25 -0.30

Oil products

(NVE prompt delivery per tonne CIF) + or -

Premium Gasoline \$245-246

Gas Oil \$189-189 -1

Heavy Fuel Oil \$73-70

Naphtha \$189-186 -3

Petroleum Argus Estimates

Other

Gold (per troy oz) \$399.50 -1.25

Silver (per troy oz) \$488.50 -2.0

Platinum (per troy oz) \$875.00 +0.35

Palladium (per troy oz) \$855.00 +0.05

Aluminium (per tonne) N/A

Copper (US Producer) \$153.5

Lead (US Producer) N/A

Nickel (free market) Unq.

Ti (Kaiser Lumper) 15.36

Ti (New York) 15.36

Zinc (US Prime Western) 82c

Cattle (live weight) 103.15p -0.41

Sheep (dressed weight) 116.25p -0.75

Pigs (live weight) 63.87p -1.89

London daily sugar (raw) \$279p -4.0

London daily sugar (white) \$335.5p -4.5

Yale and Lyle export price \$275.0 -2.5

Berley (English) 112.52

Malze (US No. 3 yellow) \$180.5

ounce. The market remains unable to break through stiff resistance in the \$371-\$372 area despite a strongly bullish chart picture. In Chicago soyabean and maize were sharply higher at midday, with new-crop months buoyed by a growing belief that the rains forecast for later this week will bring little drought relief to mid-western growing regions, traders said. A recent forecast spoke of normal to above-normal rain and normal to below-normal temperatures, but the trade wants to see a change in the weather pattern before it sells because of the stubborn nature of the 1991 drought.

Compiled from Reuters

SUGAR - London POX (\$/tonne)

Raw Close Previous High/Low

Aug 232.40 238.00 234.00 230.00

Oct 238.00 238.00 211.00 205.00

Dec 197.20 197.20 197.20 197.20

Mar 193.80 193.80 194.00 190.00

Aug 200.00 198.00 198.00

White Close Previous High/Low

Oct 288.0 288.5 288.0 282.4

Dec 287.0 287.5 273.9 273.9

Mar 274.0 274.0 274.0 274.0

May 275.5 277.5 278.0 277.0

Turnover: Raw 422 (825) lots of 50 tonnes.

Paris-White (FFP per tonne): Oct 173 Mar 1988

COFFEE - London POX (\$/tonne)

Close Previous High/Low

Aug 129.00 129.00 129.00

Oct 129.50 129.50 129.50

Mar 129.50 129.50 129.50

Turnover: 211 (180)

SOYABEANS - London POX (\$/tonne)

Close Previous High/Low

Aug 129.00 129.00 129.00

Oct 129.50 129.50 129.50

Mar 129.50 129.50 129.50

Turnover: 110 (100) lots of 20 tonnes.

PRESTON - London POX (\$/tonne)

Close Previous High/Low

Aug 129.00 129.00 129.00

Oct 129.50 129.50 129.50

Mar 129.50 129.50 129.50

Turnover: 110 (100) lots of 20 tonnes.

PRESTON - London POX (\$/tonne)

Close Previous High/Low

Aug 129.00 129.00 129.00

Oct 129.50 129.50 129.50

Mar 129.50 129.50 129.50

Turnover: 110 (100) lots of 20 tonnes.

PRESTON - London POX (\$/tonne)

Close Previous High/Low

Aug 129.00 129.00 129.00

Oct 129.50 129.50 129.50

Mar 129.50 129.50 129.50

Turnover: 110 (100) lots of 20 tonnes.

PRESTON - London POX (\$/tonne)

Close Previous High/Low

COCOA - London POX (\$/tonne)

Close Previous High/Low

Jul 595 595 597 595

Sep 602 615 621 621

Oct 645 657 660 647

Mar 685 694 697 695

May 708 714 717 708

Jul 725 734 738 725

Sep 744 754 757 742

Turnover: 3387 (2822) lots of 10 tonnes

KCO indicator price (\$/tonne per pound). Daily

price for Jul 716.95 (713.95) 10 day average

for Jul 716.97 (714.57)

COFFEE - London POX (\$/tonne)

Close Previous High/Low

Jul 595 595 597 595

Sep 602 615 621 621

Oct 645 657 660 647

Mar 685 694 697 695

May 708 714 717 708</

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RAM FSAVC Scheme		70	74	72	12	73	82	71
UK Major Co's	5%	45	50	46	96	68	45	62
UK Smaller Co's	5%	64	70	65	86	68	45	62
OH Income	5%	68	70	65	18	61	45	62
America	5%	62	69	63	15	43	42	61
Japanese ..	5%	62	69	62	95	38	42	61
European ..	5%	50	76	52	31	55	40	61
Canada	5%	50	76	52	31	55	40	61

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Continued on next page

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Uncertainty surrounds dollar

THE DOLLAR finished higher on the day in Europe, but trading was uncertain. Foreign exchange dealers are looking for guidance on whether the dollar's decline has developed into a trend, since the heavy central bank intervention on July 12, or if the fall of the last week or so has been no more than a natural correction from the high of around DM1.8400.

US data on durable goods orders tomorrow and second quarter gross national product growth on Friday may not provide sufficient evidence, but US Phillips and Drew, London stockbroker, suggests that the bull run, taking the dollar up 16 per cent in three weighted terms since February, is over. Swiss Bank Corporation forecasts that there may still be renewed upward momentum, but that the currency is near its peak. Midland Montagu, taking a longer term view, believes the dollar will be a relatively depressed currency over the next few years, possibly falling to DM1.40 and ¥100.

At the London close yesterday the dollar had climbed to DM1.7585 from DM1.7485; to ¥137.40 from ¥136.45; to Sfr1.5215 from Sfr1.5150; to £1.5575 from £1.5500, but rose to £2.3100 from £2.3075. The pound's index closed unchanged at 91.1.

In the European exchange rate mechanism sterling improved slightly to third from fourth strongest. The French franc was weak, only very slightly above the lowest placed Danish krone in the ERM, despite the Bank of France's decision to leave interest rates unchanged at yesterday's money market level. The market now awaits today's French trade figures, amid some speculation of a June surprise.

The Australian dollar had a strong undertone, prompting intervention to sell the currency by the Reserve Bank of Australia. Dealers in New York also believed the US Federal Reserve may have intervened on behalf of the Reserve Bank. It was suggested that the Australian authorities are trying to keep the currency below 93.00 US cents. In London it closed at 77.60 cents, little changed from the earlier level in Sydney.

EMS EUROPEAN CURRENCY UNIT RATES

Currency	Unit	Rate	% Change	% Spread	Difference
Spanish Peseta	166.636	166.636	-0.05	0.00	0.00
Italian Lira	2036.268	2036.268	-0.05	0.00	0.00
Belgian Franc	20.360	20.360	-0.05	0.00	0.00
French Franc	6.55957	6.55957	-0.05	0.00	0.00
German Mark	1.00	1.00	-0.05	0.00	0.00
Dutch Guilder	2.00	2.00	-0.05	0.00	0.00
Portuguese Escudo	200.482	200.482	-0.05	0.00	0.00
Irish Punt	7.87564	7.87564	-0.05	0.00	0.00
British Pound	1.00	1.00	-0.05	0.00	0.00

See central rates by the European Central Bank. Currencies are in descending order of value. Percentage change is for a positive change denotes a weak currency. Difference shows the rate between two currencies. The percentage difference is the difference between the rate and the central rate. The percentage difference is the difference between the rate and the central rate.

POUND SPOT - FORWARD AGAINST THE POUND

POUND SPOT - FORWARD AGAINST THE POUND									
Jul 22	Day's spot	One	One month	% A	Three months	% A			
US	1.6800	1.6805	1.6815	0.0400p	1.6840	0.0400p			
Canada	1.3400	1.3405	1.3415	0.0100p	1.3440	0.0100p			
Japan	137.40	137.45	137.55	0.0500p	137.70	0.0500p			
Netherlands	3.3250	3.3260	3.3270	0.0010p	3.3300	0.0010p			
France	6.5595	6.5600	6.5610	0.0005p	6.5640	0.0005p			
Germany	1.0000	1.0005	1.0010	0.0005p	1.0020	0.0005p			
Italy	2036.26	2036.31	2036.36	0.0500p	2036.46	0.0500p			
Spain	166.636	166.641	166.646	0.0050p	166.651	0.0050p			
Portugal	200.482	200.487	200.492	0.0050p	200.497	0.0050p			
Sweden	10.4600	10.4605	10.4610	0.0005p	10.4615	0.0005p			
Denmark	136.760	136.765	136.770	0.0050p	136.775	0.0050p			
Norway	136.760	136.765	136.770	0.0050p	136.775	0.0050p			
Finland	10.4600	10.4605	10.4610	0.0005p	10.4615	0.0005p			
Switzerland	1.5500	1.5505	1.5510	0.0005p	1.5515	0.0005p			
Australia	1.5500	1.5505	1.5510	0.0005p	1.5515	0.0005p			
New Zealand	1.5500	1.5505	1.5510	0.0005p	1.5515	0.0005p			
South Africa	1.5500	1.5505	1.5510	0.0005p	1.5515	0.0005p			
India	1.5500	1.5505	1.5510	0.0005p	1.5515	0.0005p			
China	1.5500	1.5505	1.5510	0.0005p	1.5515	0.0005p			

TUESDAY JULY 23 1991
MARKET FUNDS
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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on next page

NASDAQ NATIONAL MARKET

3:30 pm prices July 2

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3:30 pm prices July 2

[illegible]

ZIMBABWE

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FT SURVEYS

WORLD STOCK MARKETS

AMERICA

Weak insurance sector leads equities down

Wall Street

SHARE PRICES weakened across the board yesterday morning after big declines in the insurance sector because of rating agency downgrades, writes Patrick Harverson in New York.

By 1.30 pm the Dow Jones Industrial Average was down 10.98 at 3,005.37. The more broadly based Standard & Poor's 500 was also lower, down 1.31 at 382.91 at 1 pm, while the Nasdaq composite of over-the-counter stocks was down 5.15 at 328.70 at 1.30 pm. Turnover on the New York Stock Exchange was 91m shares by 1 pm.

In the absence of a lead from economic news, sentiment reflected the decision late on Friday by Moody's Investors Service, the top Wall Street ratings agency, to lower its ratings on six big insurance companies. This was because of the continued deterioration of commercial property values, and expected increases in the number of underperforming real estate loans and investments owned by the insurers.

Although only one of the six traded company, Moody's said that it was looking at several others. This statement, allied to general concern about the health of the US insurance industry, meant that all of the big insurance stocks took a tumble yesterday. The biggest fall was in Travelers, which tumbled 3 1/2% to \$18.00 on turnover of over 1/2 million shares.

West Coast bank stocks were also weaker, hit by reduced earnings estimates from Brown Brothers Harriman, the brokerage house. Worst affected were BankAmerica, down \$1 at \$33 1/2, First Interstate Bancorp, down \$1 1/2 at \$29 1/2 and Wells Fargo, down \$1 at \$72 1/2.

The exception was Security Pacific, which rose 3/4% to \$21 1/2. C&S Sovran rose 1/4% to \$27 on turnover of 1m shares and NCBN fell 1/4% to \$35 1/2 after the two banks signed a definite pact on a share-swap merger which will create the third largest banking group in the

US. The culmination of another share-swap merger agreement affected two over-the-counter stocks in the biotechnology sector. Cetus fell 1/4% to \$16 1/2 on turnover of 1.4m shares and Chiron by 3/4% to \$57 1/2. The merger will follow the sale of Cetus technology to its joint venture partner Hoffman-La Roche for \$300m.

Reebok rose 1/4% to \$28 1/2 in active trading after the sports shoe maker reported a second quarter profit of 64 cents a share, compared to the 38 cents a share earned a year earlier. Also higher on second quarter earnings was Eaton Corp, which gained 3/4% to \$65 1/2.

Disappointing quarterly earnings and warnings about future growth hit from Liz Claiborne, the retailer, down 7/8% to \$40 1/2 on turnover of 2.6m shares.

Canada
TORONTO hovered at session lows in slow midday trade, after a partial recovery in the Canadian dollar weakened export-oriented sectors. The composite index lost 12.1 to 3,494.2, although advances led decline by 154 to 128 on volume of 9.8m shares.

The Canadian dollar firmed to about C\$1.156 against the US dollar after plunging to about C\$1.163 last week. The Bank of Canada hardened short-term interest rates in support and further rises may be in store, analysts said.

Inco, which reported a drop in second quarter earnings from C\$1.94 to 28 cents per share, fell C\$4 to C\$24. The gold, metals and minerals and pipeline indices, all dependent on the level of the US dollar, fell back in tandem.

SOUTH AFRICA
JOHANNESBURG drifted lower after last week's record highs and weekend revelations of secret government funding for Inkatha. The all-share index fell 23 to 1,410 and the industrial index lost 6 to 4,041. The all-share index fell 18 to 3,523.

ASIA PACIFIC

Tokyo volume falls to lowest level since October 1986

Tokyo

ACTIVITY waned in Tokyo on caution over the lingering effects of the stock scandals, and volume fell to 160m shares, the lowest since October 1986, writes Emiko Terazono in Tokyo.

The Nikkei closed 151.07 down at the day's low of 22,705.28; it hit a high for the session of 23,005.63 in the morning, but moved in a small trading range throughout the day. The fall was broadly based. The Topix index of all first section stocks shed 8.77 to 1,786.07, and the second market lost 19.58 to 3,078.81. In London the ISE/Nikkei 50 index firmed 0.45 to 1,366.51.

Arbitrage-related selling towards the close depressed share prices. Investors also stayed on the sidelines ahead of Thursday's testimony by government officials before the House of Representatives finance committee.

An announcement by Nomura Securities of a press

conference after the market closed also depressed sentiment. Nomura announced the resignation of chairman Mr Sotatsu Tabuchi to become a company adviser, and said that Mr Yoshitaka Tabuchi, former president, would also step down from his present post of vice-chairman to become a company adviser. Reports of second-tier brokerage houses compensating favoured clients also discouraged investors.

There were fears that more scandals could be in the offing. However, Mr Philip Dadds at S.G. Warburg said the uncertainty feeling that the market could move either way resembled the situation in January before the Gulf war started. "If effects of the scandals allow, we could see a rally lasting up to two to three months," he maintained.

Mr Takatoshi Okuyama of Daiwa Securities added that the strength of the yen against the dollar, and lower short-term interest rates, were positive factors but that fears of more bad news were adding

to the selling pressure. Among second-tier brokerages, New Japan Securities, which admitted to compensating favoured clients for investment losses, fell Y21 to Y651, while Wako Securities declined Y15 to Y325.

Speculative issues fell on concern over margin positions. Takuma, the boiler maker, slipped Y10 to Y1,140 and Nippon Carbon Y12 to Y853.

High-priced small companies, popular in recent months for their low liquidity, lost ground. Seven-Eleven Japan fell Y40 to Y7,590. Investors looking for quick profits had sent the issue up to a 1991 high of Y8,510 in June.

In Osaka, the OSE average lost 86.17 to 25,994.52 on volume of 8.8m shares. Shares declined on light selling. Mitsubishi Electric fell Y50 to Y1,710.

Roundup

APART FROM a gloomy and indolent Taiwan, the region's equity markets seemed to be buzzing with life yesterday.

Manila was closed for a national day of prayer. TAIWAN continued its plunge, the weighted index dropping 252.23 or 4.9 per cent to 4,895.84 after a fall of 81.53 on Saturday. The market is now 22.4 per cent below its 1991 high of 6,305.22 registered on May 9.

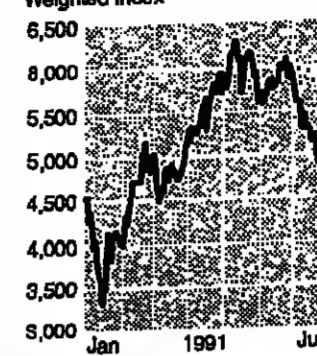
Turnover was a light T\$23.3bn. Sentiment was gloomy in spite of a year-on-year rise of 14.5 per cent in Taiwan's June export orders. After last month's licensing of 15 new banks, said dealers, investors were unwilling to keep banking shares.

BANGKOK scored its highest daily gain since March. Finance issues led a broadly based advance as the SET index jumped 32.38 or 4.9 per cent to 710.61 on turnover of 4.83bn baht. Until recently the market had been one of the weakest in the region.

SINGAPORE saw the Straits Times Industrial index rise 35.52 or 2.4 per cent to 1,491.40 in moderate trade, helped by a stable Wall Street and bargain

Taiwan

Weighted index



Source: Datastream

overseas investors rushed to buy leading stocks.

Buying orders triggered by hopes of a further reduction in interest rates sent the All Ordinaries index ahead 19.7 to 1,570.3. The interest was sparked by Reserve Bank governor Mr Bernie Fraser, who said on Friday that there was scope for an easing in monetary policy.

SEOUL hit a year's high for turnover, which rose to Won511bn as the composite index put on 6.77 to 659.51. Aggressive individual buying of major shares was matched by profit-taking.

BOMBAY fell on pre-budget nerves and selling ahead of today's holiday. The BSE index shed 36.07 or 2.46 per cent to 1,419.31. There were fears that cuts in government expenditure and tax increases would be announced in tomorrow's budget.

NEW ZEALAND ended slightly lower. Telecom, listed last Thursday, was steady at NZ\$2.30. The NZSE 40 Capital index eased 1.43 to 1,463.61.

EUROPE

Banks feature as summer holidays restrict activity

FT-SE Eurotrack 100 - Jul 22

Hourly changes							
Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1108.70	1108.31	1109.44	1109.98	1111.17	1111.89	1112.97	1113.67
Day's High 1113.75				Day's Low 1108.03			
Jul 19	Jul 18	Jul 17	Jul 16	Jul 15			
1111.23	1108.24	1104.60	1110.41	1111.59			

Basis value 100 (200/100)

There has been no follow-through after a brief period of outperformance early this year. "Our assessment," he added, "is that there will not be one until the prospect of a meaningful decline in domestic interest rates becomes more clearly defined."

MADRID had better luck with its banks, apart from Banco. The sector features in a review by Nikko Securities, which likes Spanish equities, and thinks that banks will command the initial focus of attention.

Banks were generally firm yesterday as the general index rose 1.33 to 2,883.33 but Banco fell the side down, falling Ptas to Ptas3,525. Mr Mark Rorison of

El Aquitaine was one of the day's busiest shares, rising FF5.20 to FF367.20 on volume of 211,700 shares. The stock, which had been underpinned by a recommendation from Goldman Sachs. After the close, the oil company said that it estimated its first half consolidated net profit at FF5.2m after FF4.8m.

Casino, the retailer, rose again following last week's report in a financial magazine that the stock was oversold. The report also reminded investors that Casino was a potential takeover candidate if the founding family decided to sell. The stock, which gained 4.4 per cent on Friday, put on another 3.3 per cent or FF4.20 to FF312.90 in relatively heavy volume of 86,150 shares.

Reports that a French-led consortium would be awarded a £250m contract to build Britain's first toll motorway lifted GTM-Entrepose by FF5.70 to FF430.70 with 6,700 shares traded. GTM is also expected to win a \$400m contract to build a Serbian motorway. But the reports failed to

cheer GTM's parent Lyonnaise des Eaux-Dumez which fell FF10 to FF332.

News that French car registrations fell 13.5 per cent in June from the same month in 1990 pushed Peugeot FF2 lower to FF588.

FRANKFURT recovered from a day's low of 1,614.24 in the DAX index to close 0.96 lower at 1,629.03 after a fall of 3.97 to 673.49 in the FAZ at mid-session. Volume fell from DM3.7m to DM2.9m.

Market sentiment was dampened by a rise in the Bundesbank's average bond yield from 8.80 to 8.84 per cent on continued talk of higher interest rates, and by the widening probe by Frankfurt prosecutors into possible tax evasion by market operators.

Big stocks were mostly flat or little changed. Among second-liners, however, Degussa fell DM8.10 to DM342 on reports that the company faced a writedown on its stake in an Australian mine. Also in basic materials, Metallgesellschaft fell DM7.50 to DM494, extending last week's weakness

against the market. There was also weakness among smaller stocks. AEG and S&L in electricals fell DM4.70 to DM184.50, and DM8 to DM369 respectively, and Wella in hair care dropped DM18 to DM640.

AMSTERDAM followed London higher after a weak start. The CDS tendency index closed 0.3 higher at 94.4. There was some foreign interest in Philips which ended 40 cents higher at F132.60 following recent reports that Philips was planning to sell its loss-making information systems division to DEC.

STOCKHOLM closed lower for the fourth consecutive day. The Affarsvarden general index fell 3.5 to 1,136.1 in thin turnover of SK236m after Friday's SK462m. The B-fresh shares in incentive, the investment and industrial split-off of Asea, recovered from last week's losses to gain SKR3 to SKR18.

ISTANBUL fell 3.6 per cent to its lowest close since early January. The 75-share index lost 121.7 to 3,291.03.

Mexico and S Africa reach record highs

MARKETS IN PERSPECTIVE

	% change to local currency				% change to US \$
	1 Week	4 Weeks	1 Year	Start of 1991	Start of 1991
Austria	-0.78	-5.71	-28.45	+1.71	+4.78
Belgium	-0.43	-0.99	-10.03	+1.89	-2.94
Denmark	-0.15	+3.23	+2.10	+28.35	+25.05
Finland	-1.42	-7.83	-22.34	+7.25	+4.50
France	+0.81	-1.99	-18.25	+15.08	+12.58
Germany	-1.43	-5.14	-18.41	+12.49	+9.82
Ireland	+3.28	+1.37	-18.04	+18.00	+14.51
Italy	-0.15	-4.54	-25.32	+8.22	+7.81
Netherlands	+1.68	+0.05	+0.36	+20.58	+17.85
Norway	-0.47	-2.02	-14.15	+11.99	+10.22
Spain	-0.41	-4.64	-12.12	+18.86	+18.35
Sweden	-0.57	+1.30	-9.41	+37.95	+39.77
Switzerland	+1.18	+1.78	-5.89	+25.50	+20.69
UK	+1.82	+1.88	+5.34	+16.09	+10.09
EUROPE	+0.73	-0.61	-4.44	+17.03	+15.58

	% change to local currency	% change to US \$	% change to local currency	% change to US \$
1 Week	4 Weeks	1 Year	1 Week	4 Weeks
Australia	+1.60	+2.68	-1.26	+23.12
Hong Kong	+2.53	+12.25	+14.03	+58.93
Japan	-0.66	-4.12	-28.36	+57.61
Malaysia	-0.12	-4.67	-7.56	+21.49
New Zealand ...	-1.89	+1.27	-29.18	+27.32
Singapore	-0.28	-3.91	-11.00	+37.06
Canada	+1.63	+0.99	+0.02	+22.84
USA	+1.06	+1.85	+4.99	+38.23
Mexico	+4.70	+15.50	+122.25	+123.50
South Africa ..	+3.93	+4.78	+15.42	+31.59
World Index ..	+0.51	-0.53	-7.85	+23.57

† Based on July 1991. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Ltd.

By Antonia Sharpe

MEXICO and South Africa made the biggest gains last week, with both ending at record highs. The FT-Actuaries world index rose just 0.5 per cent in local currency terms, held back by a 0.6 per cent fall in Japan.

Mexico added 4.7 per cent in local currency terms, bringing its gain so far this year to 99.3 per cent, against 92.8 per cent in terms of the US dollar. The index hit record highs on Monday, Thursday and Friday on continued overseas and domestic demand. Volume increased above the average daily level of \$22m on Tuesday and Thursday to \$35m and \$27m respectively, due to a big cross-trade and a share placement.

Baring Securities notes that industrial shares such as Telcel, the recently privatised telephone monopoly, and the retailer Cifra continued to feature last week. Telcel was boosted by reports that Goldman Sachs had increased its 1991 earnings projections. Cifra, which announced a joint venture in Mexico with Wal-

Mart, of the US, the previous week, was lifted by rumours that Wal-Mart intended to take control of Cifra. This was later denied by Cifra.

Profit-taking was evident during Friday's record-breaking session and Baring expects the market to consolidate in the near term. However, the broker believes that the market's fundamental outlook is still positive.

South Africa reached record peaks last Thursday and Friday to end the week 3.9 per cent higher in local currency terms. Analysts said the market continued to attract overseas investment, following the lifting of economic sanctions by the US, and South Africa's admission to the Olympic Games. There was domestic demand for De Beers and Anglo American, while Iscor, the steel company, attracted foreign interest.

Analysts believe that Johannesburg will be supported at current levels by the shortage of scrip and by reports that the government is likely to raise the prudential guidelines for institutional equity investment from 65 per cent to 75 per cent.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS		FRIDAY JULY 19 1991								THURSDAY JULY 18 1991								DOLLAR INDEX	
Figures in parentheses show number of lines of stock.		US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)		
Australia (69)		146.37	+1.8	128.37	126.25	130.06	125.34	+1.1	5.13	144.03	128.06	124.55	132.62	123.96	147.30	112.74	146.91		
Austria (20)		180.45	+0.9	158.25	155.94	164.09	164.92	+0.3	1.68	178.77	158.94	154.59	164.80	164.48	222.37	167.00	276.83		
Belgium (49)		128.07	+1.2	118.18	111.31	117.32	114.74	+0.1	5.14	127.52	113.38	110.26	117.41	114.62	151.20	121.78	154.86		
Canada (115)		139.91	-0.4	122.70	120.67	127.18	117.37	+0.0	3.51	140.42	124.85	121.42	129.28	117.39	142.27	125.49	140.38		
Denmark (37)		254.80	+0.9	223.47	219.78	231.63	234.82	-0.2	1.50	282.45	224.48	218.51	232.44	236.11	270.56	217.74	272.22		
Finland (18)		94.76	+0.6	83.11	81.74	86.14	84.15	+0.0	2.86	94.22	83.78	81.48	86.76	87.17	125.15	90.00	134.45		
France (112)		129.92	+1.5	113.84	112.05	118.09	121.00	+0.2	3.68	128.04	113.84	110.71	117.68	120.71	152.26	120.80	161.88		
Germany (69)		107.83	+1.5	94.40	92.65	97.84	97.64	+0.2	2.29	108.04	94.28	91.71	97.63	97.63	125.35	102.03	141.51		
Hong Kong (56)		167.43	+0.7	148.84	144.41	152.21	148.78	+0.7	4.15	164.24	148.61	146.76	153.07	155.99	177.43	119.92	163.81		
Ireland (17)		148.92	+2.2	130.60	128.45	135.37	137.46	+1.1	3.72	145.71	129.55	128.00	134.16	136.01	182.46	132.86	190.36		
Italy (77)		73.96	+3.2	64.88	63.79	67.29	72.06	+2.1	3.24	71.88	63.73	61.98	65.99	70.81	83.23	66.89	107.58		
Japan (474)		126.27	+0.2	112.49	110.83	116.62	110.83	+0.0	0.78	127.85	113.78	110.84	117.62	110.84	148.97	118.35	151.21		
Malaysia (16)		225.75	+1.1	197.98	194.70	205.21	201.81	+0.9	2.77	223.57	198.60	195.15	205.36	208.50	247.78	192.83	249.67		
Mexico (16)		114.19	+1.5	103.47	98.69	104.12	97.28	+1.5	1.44	112.94	101.97	97.49	103.78	97.50	114.77	84.45	64.87		
Netherlands (31)		139.29	+1.5	121.29	118.28	125.72	124.34	+0.2	4.31	136.23	121.12	117.80	125.44	124.07	145.73	125.70	147.04		
New Zealand (14)		48.40	+0.8	42.45	41.75	44.00	44.82	-1.4	6.82	48.12	42.78	41.81	44.31	45.25	54.84	41.18	70.17		
Norway (32)		197.22	+3.5	172.98	170.11	178.28	182.56	+1.0	1.61	192.77	171.39	166.99	177.49	180.99	223.24	182.24	251.13		
Singapore (38)		191.24	+0.3	167.72	164.95	173.41	164.23	+0.3	2.22	190.80	164.47	164.92	175.49	163.85	183.85	163.85	206.14		
South Africa (61)		258.85	+0.3	227.02	223.26	238.30	237.20	+0.6	3.07	258.20	229.57	223.27	237.73	237.21	253.85	173.00	175.06		
Spain (54)		148.42	+1.3	127.54	125.44	132.20	120.75	+0.1	4.47	143.59	127.67	124.17	132.21	120.58	171.12	131.51	181.57		
Sweden (27)		195.22	+1.4	171.21	168.39	177.47	183.15	+0.3	2.43	192.44	171.10	168.41	177.19	182.68	204.12	148.50	229.96		
Switzerland (58)		93.94	+1.4	82.39	81.03	85.41	88.23	+0.1	2.18	92.85	82.38	80.12	85.32	87.17	100.67	82.17	106.81		
United Kingdom (240)		171.37	+1.2	160.29	147.90	155.77	150.29	+0.2	4.88	189.30	150.59	148.39	158.87	150.33	187.44	152.97	175.40		
USA (528)		165.57	-0.2	136.44	134.19	141.43	135.27	-0.2	3.10	165.85	135.65	134.98	134.90	135.95	158.24	136.25	146.03		
Europe (836)		136.19	+1.4	119.44	117.47	123.81	122.14	+0.2	3.91	134.26	119.37	116.10	123.62	121.95	151.51	125.55	136.57		
Nordic (112)		185.50	+1.3	165.32	162.59	171.38	166.41	+0.1	1.94	186.08	165.45	160.92	171.54	169.17	200.62	155.55	217.78		
Benelux (179)		123.81	+0.8	110.83	103.88	109.53	108.81	+0.1	5.14	123.81	109.53	108.81	117.41	114.62	151.20	121.78	154.86		
North America (1554)		135.67	+0.8	118.35	114.42	120.60	117.13	+0.1	2.26	135.67	117.13	113.93	120.20	117.01	147.68	115.99	150.82		
Europe Asia (541)		154.82	-0.3	135.51	133.29	140.49	133.00	-0.2	3.11	154.80	133.73	130.97	142.65	143.35	157.04	125.91	145.69		
Europe Ex. UK (566)		115.17	+1.6	101.01	99.36	104.72	105.86	+0.4	3.18	113.55	100.78	98.04	104.38	105.45	129.60	106.85	143.74		
Pacific Ex. Japan (244)		143.09	+0.1	127.26	125.18	131.81	128.85	+0.8	4.38	143.09	127.61	124.13	132.18	128.89	145.68	111.40	145.36		
Pacific Ex. US (48)		134.93	+0.7	112.67	110.88	122.80	117.11	+1.1	2.50	133.88	110.88	110.78	122.81	118.18	148.97	122.32	153.80		
World Ex. UK (2032)		137.91	+0.6	112.67	110.88	122.58	122.23	+0.0	2.54	137.91	112.67	110.88	122.58	122.23	145.73	122.32	153.80		
World Ex. Ex. US, Ex. (2211)		140.04	+0.4	122.62	120.80	127.31	123.90	+0.0	2.69	139.52	122.62	120.80	126.68	129.93	148.66	122.62	149.60		
World Ex. Japan (2778)		148.83	+0.4	130.83	128.38	136.32	131.14	+0.3	3.44	148.83	128.38	127.17	128.17	126.38	141.17	132.83	160.63		
The World Index (1282)		140.84	+0.4	123.51	121.46	128.03	124.33	+0.0	2.60	140.82	124.75	121.34	128.21	126.35	149.01	123.28	149.78		